



**SECURITIES AND EXCHANGE
COMMISSION, GHANA**

2006 Annual Report



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MISSION STATEMENT

To promote the orderly growth and development of an efficient, fair and transparent securities market in which investors and the integrity of the market are protected through the proactive implementation of the securities Laws



STATUTORY MANDATE OF THE SECURITIES AND EXCHANGE COMMISSION, GHANA

The securities Industry Law (PNDC Law 333) as amended by Act 590, 2001, provides that the mandate of the Commission shall be as follows;

- To advise the Minister of Finance and Economic Planning on all matters relating to the securities industry
- To maintain surveillance over activities in securities and to ensure orderly, fair and equitable dealings in securities
- To formulate principles for the guidance of the industry;
- To protect the integrity of the securities market against any abuses arising from the practice of insider trading
- To adopt measures to minimize and supervise any conflicts of interest that may arise from dealers
- To review, approve and regulate takeovers, mergers and acquisitions and all forms of business combinations

in accordance with any law or code of practice requiring it to do so;

- To examine and approve invitations to the public;

- To register, license, authorize or regulate in accordance with this Law or any regulations made under it, stock exchanges, investment advisers, unit trust schemes, mutual funds, securities dealers, and their agents and to control and supervise their activities with a view to maintaining proper standards of conduct and acceptable practices in the securities businesses;

- To create the necessary atmosphere for the orderly growth and development of the capital market;

- To undertake such other activities as are necessary or expedient for giving full effect to the provisions of the law;



Chairman's Statement



CHAIRMAN'S STATEMENT

The past year has been an eventful year for the Securities Industry in Ghana. The economic environment was stable and improving, with all indicators showing positive outturns. The Ghanaian economy continued to show strong resilience in the face of rising and unstable crude oil prices on the world market. The robust macro-economic fundamentals assisted to produce a GDP growth of 6.2% and a drop in the rate of inflation from 14.8% at the end of 2005 to 10.5% by the end of the reporting year. The Cedi depreciated by only 1.33% against the US Dollar, the country's major international trading currency.

Sound fiscal and monetary policy initiatives helped to ease inflationary pressures brought about by unprecedented increases in oil prices. During the year, the Monetary Policy Committee of the Central Bank reviewed the prime rates downward from 15.5% in December 2005 to 12.5% by December 2006. As a result, many commercial banks responded by reducing their base rates. Interest rates on the money market also trended downwards with rates of various maturity structures declining steadily during the year under review. Rates on government securities also fell by wide margins.

In response to the favourable environment, the stock market bounced back with a modest recovery after the decline in the previous year.

The slow recovery of investor confidence during the year resulted in a modest year-to-date gain of 4.97% in the GSE All-Share Index as against a decline of negative 29.85% recorded in 2005.

Other sub-sectors of the Securities Market showed remarkable robustness in growth and stability. The net asset value of the Collective Investment Scheme sector increased by 23.0% over the previous year, and, by the end of the year, the Investment Advisory sector had a total net assets of ₵2.3 trillion under management.

The government displayed renewed interest in the development of the Ghanaian capital market through a policy shift in favour of divesting state owned enterprises through the Ghana Stock Exchange. Being mindful of its role in the development of the local bond market, the Ghana Government issued and listed long-dated maturity bonds on the GSE with the singular objective of setting appropriate yield curves for the development and promotion of the bond market. The Municipal Finance Committee also continued to work on modalities that will enable local government authorities issue municipal bonds on the capital market to finance local government infrastructure development.

In response to the above developments, the Commission continued to exercise its supervisory responsibility in a way that was



challenging and constructive to the Development of our capital market. During the reporting year, the Commission made great strides towards strengthening rules and procedures governing the market with respect to disclosures and transparency. Some of the measures taken in this regard included, circulars issued to the market to streamline information disclosure in relation to the issuing of securities to the public and the adoption of the International Financial Reporting Standards (IFRS) by January 1st 2007.

Apart from improving the transparency and disclosure-based regime of our market, the Commission also sought to provide better investor protection framework to shore-up the confidence needed to build our market as a true regional hub for capital raising and investments.

In connection with this, the Commission took up the issue of unclaimed dividends which our research found had piled up over the years. There is a lacuna in the existing legislation- the Companies Code and Securities Industry Law and regulations made there under, on this significant matter. The Commission therefore, acting under the powers conferred on it by the Securities Industry Law, issued a discussion paper to the market for comment and other inputs, signaling its intention of formulating appropriate regulations. This received support from the media, government and other interested stakeholders.

Subsequently, in his 2007 budget statement read in November 2006, the Minister of Finance and Economic Planning indicated the intention of government to introduce an

omnibus bill in 2007 to deal comprehensively with the general issue of unclaimed assets in the economy, including unclaimed dividends. Consultations are ongoing and as the Minister indicated, the Commission would play a full part in the exercise.

During the year, we were very keen to reduce systemic risk and see high standards among regulated firms reflect in their general compliance with Securities Industry Laws, Rules and Regulations. To this end, the Commission continued to maintain surveillance not only over securities industry firms but also on risks external to the Commission, which included developments within the macro-economy.

As part of the Commission's risk containment strategies, a comprehensive inspection programme was rigorously implemented for securities firms with the highest exposure in terms of customer base and depth of securities transactions. Licensing, prudential and reporting requirements were also enforced throughout the industry. Stiffer enforcement actions against market operators who flouted the Law, Rules and Regulations were also applied as a measure to build investor confidence in the market.

It is interesting to note that the elaborate inspection and market surveillance programme designed for the market, brought to the fore isolated structural deficiencies in some of the regulated firms in the industry that necessitated prompt attention and redress. The recurring



ones were poor record keeping, non-existence or ineffective internal controls, inadequate capitalization, weak management and administrative structures and flagrant disregard of the laws, rules and regulations. These deficiencies posed potential breeding grounds for conflicts of interest and market abuse.

The Commission is very much aware of the fact that reward and risk are intertwined so far as capital market activities are concerned. For this reason, the Commission has always sought to remove conflicts of interest on the part of market operators which might lead to market abuse and other malpractices that are likely to deprive investors of a fair playing field. In doing this, we have also sought to strike a balance between risk control and depriving market operators from taking risks by developing new products and making profit.

We wish to re-emphasise therefore that, regulation and enforcement of rules in the capital market is the collective responsibility of all - market operators, the Stock Exchange as a Self Regulatory Organization (SRO) and the Securities and Exchange Commission. We have therefore been much concerned to review our policies and practices to involve Chief Executive Officers of securities industry firms in playing a leading role in enforcing compliance within their respective firms. They are expected to work closely with their compliance officers to protect their firms' 'reputational capital' at all times, since the loss of this 'capital' can seriously affect not only their firm's business prospects but also

the integrity of the capital market as a whole.

In the year under review, the Commission initiated two major projects intended to have far-reaching impact on capital market development. The first was a review of the existing code on mergers and takeovers, and the second was a study into the feasibility of having an alternative investment market for small to medium scale enterprises (SME). It is gratifying to note that the first phases of these projects were successfully concluded. They were initiated to help the Commission streamline such major corporate events as business combinations which are fast becoming the norm in this country's capital market. Secondly, the need to make the capital market accessible to small and medium scale enterprises (which dominate the economy) to raise funds for corporate growth and job creation in the economy, together with the exigency of providing price discovery for investors on the over-the counter (OTC) or unlisted securities market, have been the main reason for these initiatives.

Liquidity on the Ghana Stock Exchange has been a major area of concern to the Commission. In this regard, the Commission reviewed and approved a new rule book of the Ghana Stock Exchange which we believe will go a long way to improve not only market liquidity but also promote market efficiency, transparency and fairness. Among the major innovations in the rule book is the introduction



of market making, margin trading and liberalization of trade commissions.

One of the most interesting developments on the market during the reporting year was the inauguration of Ghana Securities Industry Association (GSIA), an umbrella body of industry participants. The Association is warmly welcomed by us as a positive development in the market, since their presence and co-operation will facilitate the consultative process required in securities regulation. It is however the Commission's expectation that the Association will quickly put together a comprehensive code of ethics to self-regulate the conduct of its members as is the case in other jurisdictions. We believe that working with their members, the Association will create credible solution to deliver the objectives of transparency and accountability in the securities market. We look forward to observing the effectiveness of this solution in practice.

2007 will be extremely critical to the development of the capital market, as the Commission will be very much pre-occupied with the implementation of capital market reforms under the on-going financial sector reforms in the country. Moreover, most of the findings and recommendations of studies initiated by the Commission on the capital market during this reporting year, will be implemented in the coming year. These will stretch the limited resources at our disposal to the limit. This requires us to plan ahead to enable us to remain focused on our statutory responsibilities to the market.

During the year, we were delighted to welcome Messrs. **Kenneth Ayikwe Okwabi** and **Ekow Acquah-Arhin** as new members of the Board upon their appointment as Deputy Director-Generals by the President of the Republic of Ghana on the advice of the Commission and in consultation with the Public Services Commission. Before their appointment, they were directors of the legal & enforcement and surveillance departments of the Securities and Exchange Commission respectively.

None of the achievements of the Commission would have been possible without the hard work of our staff and support of the Ministry of Finance and Economic Planning and industry players. We are also grateful for the growing media coverage and reportage on developments within the Securities Industry, particularly, for raising the profile of not only the Commission but the industry as a whole, and during the Securities Industry Week in November. I must also thank my fellow Commissioners for their invaluable and stimulating contributions to the overall policy direction of the Commission. The contributions of all other stakeholders are also deeply appreciated and acknowledged.

.....
Professor G.K.A Oforu-Amaah
(Chairman)



Director - General's Report



DIRECTOR - GENERAL'S REPORT

Introduction

The main focus of our work during the year was geared towards deepening the capital market, enhancing the regulatory capacity of the Securities and Exchange Commission, enforcement of Securities Industry Law, Rules and Regulations and developing the professional capacity of staff and Securities Industry players. Delivering on these policy initiatives revealed other areas and tasks that the Commission would like to tackle in 2007.

Deepening the Capital Market

Low liquidity on the equity and bond markets presented the Commission with the need to provide a lasting solution to the adoption of the right strategy mix to deepen the Ghanaian capital market. This called for critical examination of the macroeconomic and regulatory policy environments, the market's micro-structure arrangements, range of product diversity as well as the existing enforcement regime. The Commission took a number of proactive steps to address some of the issues identified. They included:

- Promotion of investment and capital-raising public awareness programmes
- Co-operation with government on policy issues; and
- Development and regulation of an alternative investment market for Small and Medium Scale enterprises (SMEs).

Public Education

The Commission in conjunction with the Ghana Securities Industry Association and the Ghana Stock Exchange, launched the maiden "Securities Week" in November, 2006, to sensitize and educate stakeholders to play an active role in the market. Private sector players in the economy, listed companies, the media, institutional and retail investors, government officials and policy makers, other regulators in the Ghanaian economy and the general public were the main target for the event. The theme for the Securities Week was, "the capital market: the missing key to Ghana's economic development and growth". It was centred on a series of public lectures, and succeeded in demystifying the capital market as the preserve of the rich and elite in society and also brought the capital market to the forefront of national economic development debate.

The outcome of this initiative has already started to yield dividends. Several entrepreneurs in the private sector have made enquiries on how to raise equity capital on the market; the government in line with its 2006 budget statement on capital market development, went ahead to list bonds on the Ghana Stock Exchange to help establish appropriate yield curves for long-dated securities on the debt market; a group of shareholders also came together to form an

Association' of Ghana. We hope to institutionalize the “securities week” as an annual event on the calendar of the Commission's capital market development programme.

Divestiture of State Owned Enterprises

The Commission with other stakeholders continued to engage government on major policy issues affecting the development and deepening of the capital market. Among them were policy issues on privatization of state owned enterprises (SOE's) and the development of the bond market. The Commission was represented on a **Technical Working Group On Capital Market Development** to advise government on the role of divestiture and privatization of government assets. The work of the group enabled government to finally adopt a policy framework in favour of share issue privatization as the preferred method in government's divestiture programme. This implies using the Ghana Stock Exchange as the main medium of divesting state assets with the fundamental objective of deepening the capital market and broadening the local investor base of the Ghanaian economy.

Over-The-Counter Securities Market

In its determination to deepen the Capital Market, the Commission turned its attention to the over-the- counter (OTC) or the unlisted Securities Market. During the year, the Commission initiated a study into the status of

the existing unlisted securities market which will lead to the eventual establishment and regulation of the first formal SME or over-the-counter (OTC) Exchange in the sub- region. This project is intended to provide small and medium scale enterprises with cheaper sources of capital on one hand, and open new investment opportunities for investors interested in fast growing companies on the other. The result of the study submitted during the year revealed that the existing OTC market has great potential but lacked transparency, depth and liquidity as there is no trading platform, no rules or regulations nor an appropriate mechanism for price discovery and dissemination of trade and corporate information. The prevailing market condition makes it extremely difficult for existing shareholders and investors to enjoy the flexibility of buying and disposing of their shares and the ability to ascertain the prices and true value of the shares they own.

The OTC Exchange project, when completed, will put the capital market within reach of smaller and less capitalized companies that do not qualify for bank loans or for inclusion in the main market on the GSE. It will therefore make the securities market more relevant to the needs of the economy in which the SME sector plays a dominant role.



Enhancing the regulatory capacity of the Securities and Exchange Commission

Effective development and deepening of the capital market depends on the institutional capacity of the Commission. With this in view, management of the Commission concentrated their effort on effective acquisition and deployment of talent, technology and re-engineering of processing systems and procedures in course of the year. These made the Commission more responsive to the regulatory demands of the securities market which include timely and efficient delivery of services, timely containment of risks and creating more opportunities for better interaction with market practitioners, investors and other consumers.

Whilst 2006 was a year of great challenge in the face of resource constraints, these improvements made our staff respond positively to the deluge of investor requests, applications and complaints received during the year. Response time to license applications and prospectuses to raise capital on the market improved dramatically. Programmed surveillance inspections of licensed market operators in the industry were 70% on target, whilst 80% of complaints received were fully investigated and action taken. On the whole, all departments of the Commission largely met their programmed targets during the year under review.

Improvements in communication with applicants and internal procedures and processes helped to speed up response to

license applications in the year under review. Five (5) new licenses were issued to five companies to operate in the industry; four were issued for investment advisory purposes and one for dealership and issuing house purposes.

International Co-operation

Building the Commission's regulatory capacity would be incomplete without forging closer co-operation and collaboration with regulators in other jurisdictions and with the International Organization of Securities Commissions (IOSCO), one of the most important international standards setting bodies in the securities market. We are already an active member of that organization. During the year the SEC, Ghana, actively participated in all of IOSCO conferences as well as meetings of the Africa and Middle East Regional Committee (AMERC) of IOSCO. Membership of these bodies enabled us to learn and share experiences with other jurisdictions regarding regulation and development of securities markets.

In order to foster cross-border regulatory co-operation and information exchange, the Commission subjected itself to an assessment process on Ghana towards meeting the full requirements for IOSCO's multilateral memorandum of understanding (MMOU). Ghana was subsequently put in category "B" after satisfying certain key requirements. However, we intend to improve on

i t b y



initiating a few more legal and regulatory reforms to get category 'A' of IOSCO classification. IOSCO members are expected to fully meet category 'A' standards by 2010. Every effort would be made to fully comply by the set date since this will help the country to gain more international investor confidence and increased portfolio investment flows.

The MMOU notwithstanding, the SEC has been fostering bilateral links with other regulators, particularly, in the Africa region. To this end a bilateral MOU with the Financial Services Board (FSB) of South-Africa was signed in September, 2006 in Hong Kong. This is meant to strengthen ties for cross-border co-operation, information sharing and mutually beneficial increase in cross-border investments and listing of securities between the two countries. We signed our first bilateral MOU with Nigeria SEC. We are particularly interested in maintaining close surveillance over our local mutual funds and unit trust schemes currently investing across our national borders through these bilateral agreements.

Enforcement

Our investigations and enforcement actions during the year were underpinned by the policy of making our rules and guidelines more accessible and reasonable to firms so that they could have a better appreciation and understanding of their particular regulatory and compliance obligations in the interest of

developing our capital market collectively. Further to this, the Commission continued to work closely with the Ghana Securities Industry Association, the umbrella body of firms in the industry, to relay to its members the enforcement objectives of the Commission. Our philosophy has been to work closely with market operators in addressing regulatory and enforcement issues and encourage them to own the responsibility to develop their internal capacity to remain compliant with the securities industry law, rules and regulations. As part of this philosophy, certain erring firms were invited by the Commission to discuss their compliance problems. This demonstrates our willingness to dialogue at all times with those we regulate without compromising on fundamental principles necessary for protecting the investor and maintaining the integrity of the securities market.

It is necessary to note the importance of enforcement within the regulatory apparatus. In a regulated market, it is important that the most serious breaches of regulations are punished appropriately and that the lessons which emerge are evident to the market. In 2006 the Commission undertook twelve (12) investigations and closed ten (10) by the end of the year. Various sanctions were applied for acts contrary to the Securities Industry Law, Rules and Regulations.



Improving professional capacity of Securities Industry Players

Government's commitment to make Ghana the financial hub of the sub-region together with the dynamic nature of the securities industry requires proactive steps to build adequate professional capacity with similar capacity for regulatory responses. In view of this, the Securities and Exchange Commission has been holding intensive consultations with the Ghana Stock Exchange and other key stakeholders to speed up the process of building the professional capacity of the industry. The major players are collaborating on drawing up a programme for accreditation of professionals in the securities industry.

Management Development / Training

As part of management's commitment towards institutional capacity building and the achievement of our strategic objectives, significant investments were made in management development and staff training. To this end, over 80% of our key professional staff attended both local and international training and attachment programmes during which they were exposed to international best practices in various areas of securities regulation, investment, financial and portfolio management.

Recruitment & Staff Turnover

As part of our on-going institutional capacity building drive, seven (7) new professional staff were recruited during the past year,

including three (3) new graduates who had just finished their national service. The Commission also lost four (4) of its key professional staff members to the financial services industry during the reporting year.

The professional quality of our staff members makes them ready targets for poaching by industry firms and the private sector which have capacity to offer better compensation packages. On its own, it has been difficult for the Commission to do anything about its brain drain due to the existing reliance of the Commission on government subvention and its attendant encumbrances under the existing financial bureaucracy. We wish we had the flexibility as an institution to even partially match the going market rates of the private sector to attract and retain quality professional staff. If the Commission should continue to lose staff, it is then likely to jeopardize our capital market building and reform efforts.

Conclusion

It is obvious that so much was achieved in the reporting year and so much will be expected in 2007. This could not have happened without the co-operation of the executive members, other Board Members and staff of the Commission. I thank every one of them for their enormous contribution to this important work which we have set ourselves to accomplish. I look forward to more of this co-operation and



continued commitment as we traverse into 2007 which promises to be more challenging than the year being reported upon.

A handwritten signature in black ink, appearing to read 'Nii Kwaku Sowa', is written over a horizontal dotted line.

Dr. Nii Kwaku Sowa
(Ag. Director- General)



The Commission and Corporate Governance

THE COMMISSION AND CORPORATE GOVERNANCE

Statutory Mandate of the Commission

The Securities Industry Law (PNDC Law 333) as amended by Act 590, 2001, provides that the mandate of the Commission shall be as follows:

- To advise the Minister of Finance and Economic Planning on all matters relating to the securities industry;
- To maintain surveillance over activities in securities and to ensure orderly fair and equitable dealings in securities;
- To formulate principles for the guidance of the industry;
- To protect the integrity of the securities market against any abuses arising from insider trading;
- To adopt measures to minimize and supervise any conflict of interests that may arise for dealers;
- To review, approve and regulate takeovers, mergers and acquisitions and all forms of business combinations in accordance with any law or code of practice requiring it to do so;
To examine and approve invitations to the public;
- To register, license, authorize or regulate in accordance with this Law or any regulations made under it, stock exchanges, investment advisers, unit trust schemes, mutual funds, securities dealers, and their agents and to control

and supervise their activities with a view to maintaining proper standards of conduct and acceptable practices in the securities business;

To create the necessary atmosphere for the orderly growth and development of the capital market;

To undertake such other activities as are necessary or expedient for giving

- full effect to the provisions of the law;
To monitor the solvency of license holders and take measures to protect
- the interest of customers where solvency of any such license holder is in doubt; and

To perform other functions specified

- under the law

Regulatory Objectives of the Commission

The Commission's regulatory objectives are as follows:

1. To protect the interest of Investors
2. To ensure a fair, efficient and transparent securities market
3. To reduce systemic risk

Functions of the Commission

The above mandate and regulatory objectives spell out the functions of the Commission as follows:



- Regulatory functions
- Licensing functions
- Investigative, Supervisory and Surveillance functions
- Enforcement functions
- Market Development functions
- Quasi - Judicial functions
- Policy Advisory functions

The Commission's Governance Model

The Securities Industry Law vests the powers and mandate of the Commission in an eleven (11) member board known as Commissioners headed by a non-executive Chairman. Out of the eleven member board, the Securities Industry Law also provides for the appointment of a Director- General as the Chief-Executive of the Commission, assisted by two Deputy Directors- General.

The Commissioners are supported by a secretariat mainly staffed by a core of professionals from diverse backgrounds. Subject to the above, the Law vests the Commissioners with the discretion of employing such staff and engaging the services of such consultants, advisers and other persons, as may be necessary, for the proper discharge of their functions. The terms and conditions of employment of these persons are to be decided by the Commission or Commissioners in consultation with the Ministry of Finance and Economic Planning.

The Board or the Commission is serviced by three (3) Standing Committees, membership of which is drawn from the board. They are Approvals & Licensing Committee; Research and Market Development Committee; and

Finance & Administration Committee.

In accordance with good corporate governance principles, Commissioners are expected to bring an independent judgement to bear on issues relating to securities market regulation, licensing, market development, resolution of market related disputes and enforcement of the country's Securities Laws, Rules and Regulations. They are again required to set appropriate policies to contain, reduce and manage systemic risks inherent in the Securities Market.

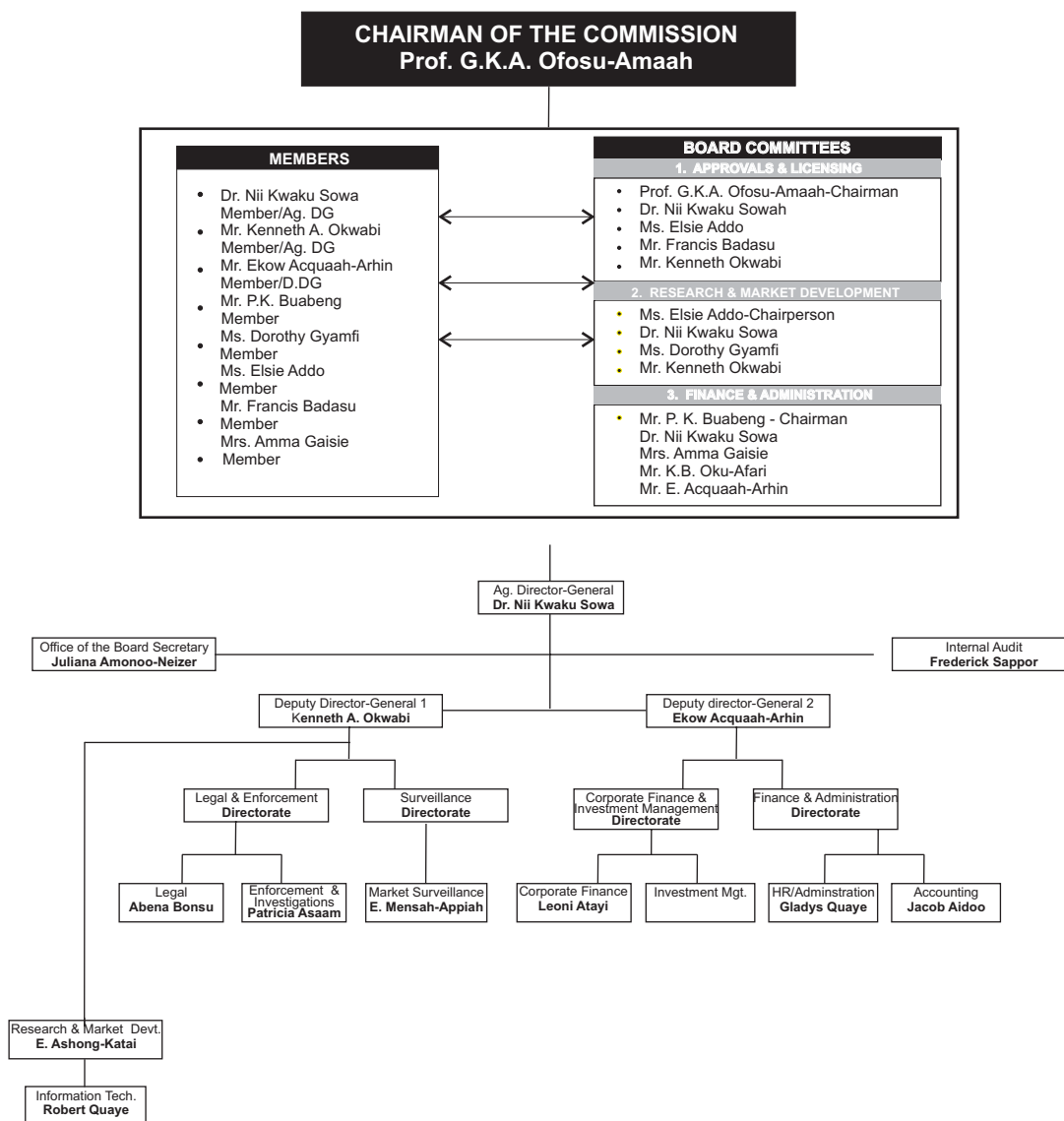
In exercising their general oversight responsibilities over the operations of the Securities and Exchange Commission, Commissioners are also expected to play the following corporate governance roles:

- Making strategic decisions to enhance the efficient and effective operation, growth and sustenance of the Securities and Exchange Commission
- Ensuring that adequate resources are provided at all times for the discharge of the statutory mandate of the Commission
- Overseeing high standards of conduct among staff of the Commission as well as key appointments in the Commission
- Maintaining a sound system of administrative and financial control; and Providing an accountable mechanism for decisions of Committees of the board through periodic reporting.
-

During the reporting year, members and staff of the Commission displayed high standards of professionalism in accordance with the Commission's core values of integrity, transparency, efficiency, fairness, accessibility, impartiality and accountability in

the performance of their functions. Members of the Commission also abided by standards of international best practice in relation to the use of regulatory and confidential information and conflicts of interest.

CORPORATE GOVERNANCE STRUCTURE



Research & Market Devt.
E. Ashong-Katai

Information Tech.
Robert Quaye



Economic Review



ECONOMIC REVIEW

Introduction

In 2006, the non- oil producing Ghanaian economy once again passed the stress test exerted on it by the severe crude oil price volatility which rose as high as US\$78 per barrel on the world commodities market. Despite this exogenous threat, the economy showed marked improvement in all of its core macro-economic fundamentals. Inflation trended downwards from 14.6% in 2005 to 10.5% by the end of 2006; Interest rates on the money market also declined accordingly including the benchmarked 91-day treasury bill which fell from 11.50% at the end of 2005 to 9.96% at the end of the year under review; The cedi depreciated only marginally by 1.33% against the United States dollar, the country's major international trade currency, an indication of relative stability in the country's currency (FOREX) market.

With subdued inflationary pressures, real sector economic activities remained robust generating an improved real GDP growth rate of 6.2% at the end of the year over that of 2005 (5.8%). This represents the sixth consecutive year that the Ghanaian economy has experienced increasing and sustained economic growth. The growth in 2006 was mainly driven by significant productivity gains in the agricultural and services sectors of the economy.

Real Sector Developments

The agricultural sector being the mainstay of

Ghana's economy, continued to be the lead contributor to Ghana's GDP growth in 2006. Although the sector showed a slight decline compared to 2005, its contribution to the country's overall GDP growth was 35.8%, followed by the services' sector with 30.1% and industry, 25.4%.

Agricultural Sector

In the agricultural sector, the **crops and livestock sub-sector** made the most significant contribution of 23.8% to the overall sectors' contribution to GDP, the same as last year. The contribution of the **cocoa sub-sector** was 4.7%, indicating a modest improvement of one percentage point over that of 2005. **Forestry and fishing sub-sectors** also made a combined contribution of 7.4%.

In real terms, the agricultural sector grew by 5.7%, showing a shortfall of 0.9 percentage points against planned annual target of 6.6%. The shortfall was due to the underperformance of the **cocoa, forestry and logging sub- sectors**. Growth in the Cocoa sub-sector declined from 13.2% in 2005 to 12.2% in 2006. Forestry and logging maintained the same growth rate as 2005 (5.6%). The fisheries sub-sector began to show signs of recovery in 2006 when it climbed from -1.2% in 2005 to 3.6%.



Industrial Sector

Industrial growth was projected at 7.3% with **electricity and water** being the most demand-driven but supply-deficient sub-sectors contributing significantly to the overall sector growth. Apart from gold production which showed significant growth of 9.0% in response to favourable prices on the international commodities market, the entire **mining and quarrying sub-sectors** of the industrial sector suffered a pronounced decline in growth from 6.3% in 2005 to 3.0% in 2006.

Due to the rising cost of energy, increased competition from cheaper imports from overseas and the high cost of borrowing from the banks, the **manufacturing sub-sector** of the industrial sector remained highly uncompetitive and as a result, suffered a decline in growth from 5.0% in 2005 to 4.2% in 2006. Its share of GDP also declined correspondingly but marginally from 8.9% to 8.8% over the same period.

In line with increased investment in the country's physical infrastructure by the government - roads, railways, schools, markets **the construction sub-sector** recorded growth of 8.2% above projected target of 7.5%. Its contribution to GDP was 8.6% compared to 8.4% in 2005.

Services Sector

Since the growth of key sub-sectors of the services' sector depends on the performance of the manufacturing sector, finance and insurance, transport, storage and

communica-tion, wholesale, trade and retail, and other ancillary services, - the decline in growth of the manufacturing sector resulted in a corresponding decline in the services' sector as a whole, from 7.9% in 2005 to 7.2% in 2006. Growth in finance and insurance sub-sectors remained at 7.6%, the same recorded for 2005. Growth in the wholesale, trade and retail sub- sector dipped from 10.0% in 2005 to a projected 7.5% for 2006. Similarly, growth in the transport, storage and communication sub-sectors declined from 7.9% to 7.2% over the same period. Government services sub-sector grew by 5.7% compared to 5.0% in 2005. The community, social and personal services sub-sectors also recorded a growth rate of 4.2% compared to 4.3% in 2005. The year under review witnessed increased activity from various registered private NGOs representing various socio-economic, political, cultural and environmental advocacy groups in the country. For this reason, the NGO sub-sector grew by 4.5% compared to 3.6% recorded for last year.

Monetary Developments

From 2001, the central plank of Bank of Ghana's monetary policy has been 'inflation targeting' which is firmly geared towards a single digit inflationary framework and a liberal exchange rate regime designed to avert any exchange rate misalignment. This policy approach, clearly defines the Central Bank's monetary control objectives over the p a s t s i x



years. These include the following among others:

- Reduction of inflationary expectation
- Stabilization of the exchange rate regime
- Reduction in the nominal rate of interest
- Achieving and building comfortable levels of the country's international reserves and
- Ensuring adequate bank credit in support of private sector expansion

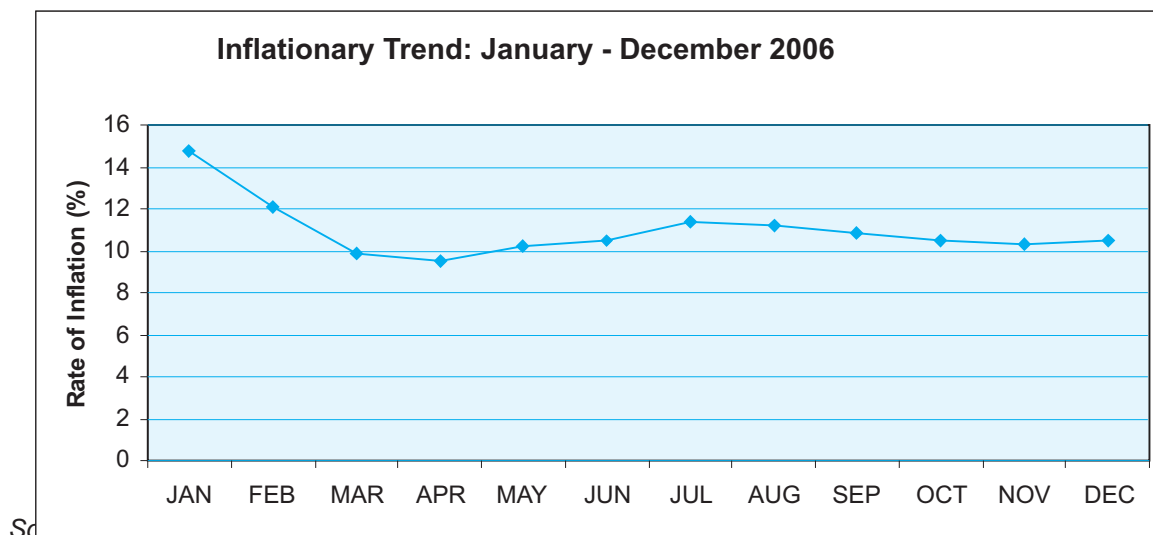
In pursuit of the above monetary objectives and policy approach, the Bank of Ghana continued to use various strategies including reduction in the prime rate, and that meant to slow down monetary growth to stem inflationary pressures which arose due to violent volatility in world crude oil prices. During the reporting year, prices of petroleum products in Ghana were adjusted upwards in response to higher crude oil prices. As a result, inflation which had declined from 14.6% in January to a single digit of 9.5% in April, began to rise again to 10.2% in May and further to 11.4% in July before falling to 10.5% by the end of the year.

The monetary policy response to the above threat was for the Central Bank to reduce the prime rate at which it lends to commercial banks from 14.5% to 12.5% and a slow but systematic increase, in money supply to accommodate expansion in the real sector of the economy.

Inflation

Price movements during the first quarter of the year pointed to the realization of a single digit inflation target by both the fiscal and monetary authorities. During this period, inflation declined from 14.8% in 2005 to 12.1% by the end of February, 2006, and hit an expected single digit of 9.5% in March of the reporting year. However, with sharp increases in world crude oil prices and agitations on the labour front for wage increases, inflation rates rebounded upward in the third quarter of the year to as high as 11.4% by the end of July, only to trend downwards again during the last quarter to end the year at 10.5% with diminishing inflationary expectations.

Chart 1



Reserve Money

Reserve money, one of the important components of monetary aggregates, increased but slowly during the year under review. Reserve money which grew by 12.7% by the end of 2005, went up by 19.10% by the end of February, 2006. Provisional figures showed that the year-on-year growth by the end of November was 20.60%.

Broad Money

Broad money in total also increased slowly during the year from 20.40% in February to 37.0% by the end of November. The underlying reasons for this growth included significant increases in Time and Savings deposits and foreign currency deposits.

The overall disinflation process as is reflected in the systematic growth in the overall

monetary aggregates allowed for a growth in liquidity to support increasing output growth in the economy and at the same time provided a cushion for inflationary pressures passed on by rising crude oil prices on the international commodities market.

Interest Rates

The reporting year witnessed a general decline in interest rates. The Bank of Ghana reduced its prime rate from 15.50% as at the end of 2005 to 14.50% in January of 2006 and again to 12.5% in December, 2006. This and other factors contributed to a decline in the benchmark 91-Day Treasury Bill rate from 11.5% at the beginning of the year to 9.96% per annum at the end of the year. The 182 Day Treasury Bill rate also declined from 11.6% to around



11.0%. The One- Year Treasury Notes shed off 350 basis points during the year from 16.5% to 13.0% over the same period.

There were also general reductions in the base rates and lending rates of the Deposit Money Banks (DMBs). On average, during the second- half of the year, the base and lending rates quotations of the DMBs declined by 25 basis to 125 basis points from 21% and 24.25%. The general decline and realignment of interest rates and a downward shift in the yield curve in response to general decline in inflationary expectations, led to a strong shift of market preference for long dated securities. For example, the share of the 91-and 182-Day Treasury Bills declined from 58.1% in 2005 to 34.6% in 2006, whilst that for the 2-and 3-Year Fixed Rate Notes increased from 12.9% to 30.2% over the same period. The share of 2- and 3-Year Floating Notes and bonds however declined

from 15.7% to 9.8% for the same period due to low inflationary expectations by investors and a lengthening of the term structure of securities by the Government and the Central Bank, particularly with the listing of these securities on the Ghana Stock Exchange.

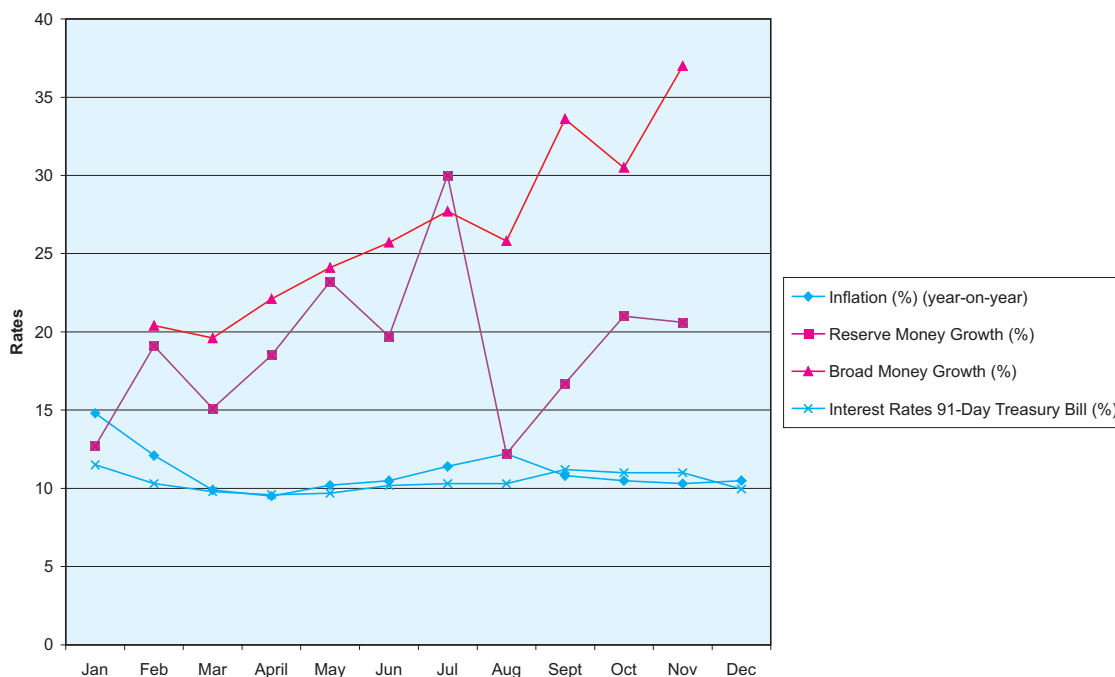
Exchange Rates

The foreign exchange market remained stable as the Cedi depreciated marginally by 1.3% against the United States Dollar. The Cedi however depreciated sharply against the Euro and the Pound Sterling by 13.3% and 11.2% respectively over the same period due to the strengthening of these currencies against the US dollar on the international currencies market.

The graph below illustrates various movements in the rate of growth in reserve and broad money, inflation and the benchmarked 91- Day Treasury Bill rates in 2006.

Chart 2

Monetary Growth, Inflation & Interest Rates in 2006



Source: Compiled from data supplied by Bank of Ghana

Bank Credits

In response to increased economic activities during the year, bank credit to the private sector and public institutions by November of 2006 had increased by ₵7,211 billion to about ₵23,780.3 billion, representing an increase of 44% compared to 33% recorded for the same period in 2005. The share of the private sector in this increase was 74.3%. Out of this, the share of the services' sector was 30%, commerce (17.6%), construction (10.7%), the import trade absorbing 6.7% and the remaining 9.3% to the manufacturing sector.

The above indicates that while bank credit to the private sector increased across board, the manufacturing sector still did not attract enough credit to produce what the economy needed. The economy remained dependent on imports while the manufacturing sector suffered.

Fiscal Developments

The fiscal policy objectives of government in 2006 mainly hinged on economic growth, employment generation and enhanced revenue mobilization. These objectives were

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be achieved by strengthening the private sector using the capital market as the platform for mobilizing medium to long-term capital for private sector growth. For this reason, the government initiated a number of measures to deepen the capital market. This included a deliberate policy to list medium - term sovereign securities on the Ghana Stock Exchange to extend the yield curve to enable the corporate sector to borrow relatively cheaper on the bond market.

Revenue

By November, 2006, the fiscal activities of government resulted in total revenue and grants of ₵29,300.5 billion representing a shortfall of 2.3% against the planned annual target of ₵29,980.7 billion. Tax revenue collection increased by 3% above that for 2005.

Expenditure

Total government expenditure was ₵32,528.6 billion, 35% above what was recorded for 2005. The financing gap resulted in net domestic borrowing of 3.3% of GDP, which brought the total outstanding government debt instruments to 14.1% of GDP compared to 1.3% recorded in 2005. The sudden surge in public sector borrowing was partly due to government's commitment to develop the bond market by extending the yield curve to enable the private sector grow by borrowing long- term. The floatation of medium-term government securities (2- and 3- Year fixed and floating rate bonds) on the Ghana Stock Exchange was an example of this policy

commitment.

Balance of Payment Developments

The economy benefited from improved commodity prices on the world market for the country's traditional exports - gold, timber and cocoa - and productivity gains in the cocoa industry. These developments translated into strong growth in export performance by about 39.7% over 2005 figures.

Rising crude oil prices increased the national oil import bill by 36.8% over that of the previous year, while non-oil merchandise imports also grew by 22.0%. Net unrequited transfers however increased by 35.2% over that for 2005. This among other things helped to lessen the overall current account deficit from 8.8% of GDP in 2005 to 4.56% of GDP in 2006.

Flowing from the above, provisional estimates of the overall balance of payment position indicates a surplus of US\$406.73 for 2006, attributed to seasonal inflows of cocoa proceeds, growth in remittances, donor inflows and debt relief. Projections from the Ministry of Finance and Economic Planning showed a net international reserve build-up of US\$406.0 million, likely to raise the country's level of international reserves to about US\$2.0 billion, enough to cover more than three (3) months of the country's import cover.



Capital Market Developments



CAPITAL MARKET DEVELOPMENTS

STOCK MARKET REVIEW

Introduction

Following the prolonged bearish market in the preceding year and the first quarter of the reporting year, the stock market thereafter made a steady recovery with a marginal gain of **4.97%** in the GSE All - Share Index by the end of 2006 as against -29.85% recorded for 2005.

There was partial recovery of the stock market during the first - half of the year. This was assisted by continuous decline in the 91-day and 182- Day Treasury bill rates which hit single digits together with a single digit inflation rate of 9.5% recorded at the beginning of the second quarter of 2006. These macro-economic developments somehow renewed investor confidence in the market. The confidence was however mild, typical of stock markets recovering from a long period of slump. As a result, the market posted positive returns for the first time in April when the year-to-date change in the GSE Index moved from negative 0.10% in March to 0.23%.

However, despite Bank of Ghana's efficient management of the monetary-economy and the fiscal discipline of the Central Government, increases in fuel prices particularly during the second half of the year, slowed down full market recovery as inflation

climbed from 9.5% in April to 11.4% through July to August and dropped again to 10.8% by the end of September. These developments dented investor confidence in the market.

Market recovery was further dampened during the same period by attractive money market rates which increased above the rising rate of inflation and stock market yields. This induced investors to shift their preference from investing on the stock market to medium- term securities on the money market with attractive yields. These negative factors as indicated above together with information asymmetry on the market, reduced the positive effects that the attractive half year financial results posted by many of the listed companies on the GSE might have had on investors for market recovery.

Furthermore, the energy crisis which culminated in load shedding of electricity supply to industry and households also fueled the slow recovery of the stock market as many of the listed companies were adversely affected.

Interest rates on the money market at the beginning and the end of the year are illustrated in the table below: It compares the yield of various financial instruments with that of the stock market and illustrates the reason why investors had to shift their preference from the Stock market to medium-term



Table 1

Money Market Instruments	Year Open (%)	End Of December - 2006 (%)
91-Day Treasury Bill	11.50	10.36
182- Treasury Day Bill	12.87	10.72
1 – Year Note (fixed)	16.50	15.50
2 - Year Note (fixed)	17.00	15.70
2 - Year Note (floating)	16.65	14.00
3 - Year Note (fixed)	17.50	16.00
GSE All - Share Index	-1.60 (end of Jan.)	4.97

Source: Compiled from Bank of Ghana and Ghana Stock Exchange Statistics

On the whole, secondary market recovery and gains were modest and slow against popular expectations. Investor interest, however, on the primary market was quite encouraging during the year under review.

billion respectively as against 81.40 million shares valued at ₵464 billion recorded in 2005. These represent an increase in volume and value terms of 17.2% and 2.5% respectively over that recorded for 2005.

Market Summary (Jan. - Dec., 2006)

Total volume and value of shares traded in 2006 were 98.29 million shares and ₵476

Below is a summary of the performance of Ghana Stock Market in 2006.

Table 2: Market Summary

Month	Volume Traded (Mil)	Value Traded (¢Mil)	No. of Listed companies	Market Cap (¢bn)	GSE All - Share Index	Inflation y-o-y end Period (%)	GSE All - Share Index (% change YTD)
Dec. 05	5.06	17,959.93	29	91,857.28	4,769.02	14.80	-
Jan. 06	1.23	4,392.22	29	91,655.62	4,692.84	14.80	-1.60%
Feb. 06	14.92	47,064.83	29	91,845.38	4,730.17	12.10	-0.81%
Mar. 06	6.05	29,540.77	29	91,935.38	4,764.07	9.90	-0.10%
Apr. 06	2.55	14,175.47	29	92,427.90	4,780.16	9.50	0.23%
May. 06	4.44	24,112.67	29	95,588.82	4,843.80	10.20	1.57%
June. 06	3.84	13,133.92	29	95,292.62	4,833.33	10.50	1.35%
July. 06	4.31	71,779.77	29	97,223.45	4,885.34	11.40	2.44%
Aug. 06	8.64	33,019.67	30	97,523.86	4,913.25	11.20	2.94%
Sept. 06	3.40	26,671.46	31	111,397.88	4,943.45	10.80	0.61%
Oct. 06	3.54	13,902.78	31	111,588.61	4,973.33	10.50	0.60%
Nov. 06	21.82	49,084.55	31	112,208.63	4,992.93	10.30	0.39%
Dec. 06	23.54	149,112.2	32	112,496.01	5,006.02	10.50	0.26%

Source: Ghana Stock Exchange Statistics

Market Performance

Measured by the GSE All-Share Index, the market for the period under review increased steadily beginning the year at 4,769.02 points to close at 5,006.02 points, recording a percentage year- to- date change of 4.97%.

The gain was quite encouraging compared to the same period in 2005 which recorded a negative return of 29.85%. Percentage change for the same period in 2004, 2003, 2002, 2001 and 2000 were 110.19%, 79.86%, 35.85% 10.43% and 11.31% respectively.

The slow recovery of the market particularly took a toll on the “small cap” stocks many of which either did not experience any share price movement or recorded negative returns at the end of the year. On the whole, eight (8) equities remained flat, fourteen (14) were losers with the remaining recording impressive capital gains (see appendix 1 on the overall performance of listed equities in 2006).

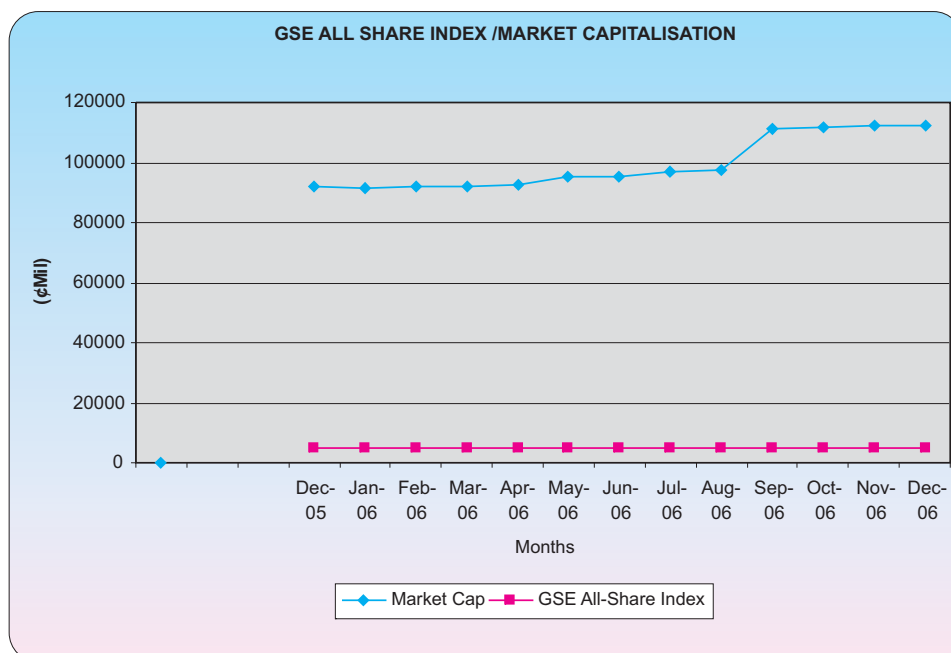
Market Capitalization

Market capitalization increased from ₵91,857.28 billion at the end of December 2005 to ₵112,415.68 billion by the end of the period under review, representing a significant gain of **22.38%**. Translated in dollar terms, market capitalization increased by

17.35% from US\$10.0 billion to US\$12.2 billion over the same period. The improvement was largely due to new listings which included Ecobank Transnational Incorporated, Ecobank Ghana and Total Petroleum Ghana Ltd. on the GSE as well as price appreciation of major “blue chip” stocks such as Total Ghana, Aluworks, Guinness Ghana Breweries, Enterprise Insurance, British -American Tobacco, Standard Chartered Bank and Fan Milk. The slow recovery of the “blue chip” stocks from deep share price declines in 2005, provides an indication of a sustainable market recovery expected next year.

A composite graph of the GSE All Share Index and Market Capitalization from December

Chart 3





Market Concentration

By the end of the reporting year, the stock market remained heavily concentrated at the top both in terms of **market capitalization** and **total number of listed shares on the Ghana Stock Exchange**. The share of Market capitalization of the top five companies was 91.7% with AngloGold Ashanti alone commanding 73.5% share.

In volume terms, the top five companies had 57.0% of the total number of floated shares on the GSE. Cocoa Processing Company had 23.0% of the total number of floated shares trading on the GSE. The table below provides details of the degree of concentration on the GSE as at the end of 2006.

Table 3: Market Concentration by Market Capitalization

NAME OF COMPANY	MARKET CAPITALIZATION (¢b)	% SHARE OF TOTAL MARKET CAPITALIZATION
AngloGold Ashanti	82,584.77	73.5
Ecobank Transnational Inc.	13,869.78	12.3
Standard Chartered Bank Ghana Ltd.	2,780.17	2.5
Ecobank Ghana Ltd.	2,179.60	2.0
Guinness Ghana Breweries	1,552.88	1.4
TOTAL	102,967.20	91.7

Source: Research & Market Development Department of SEC

Table 4: Market Concentration by total number of listed shares

NAME OF COMPANY	ISSUED SHARES (m)	% OF TOTAL ISSUED SHARES ON THE GSE
Cocoa Processing Company	1,100.84	23.1
Ecobank Transnational Inc.	611.00	12.8
Produce Buying Company	480.00	10.1
AngloGold Ashanti	275.25	5.8
Accra Brewery Ltd.	249.45	5.2
TOTAL	2,716.54	57.0

Source: Research & Market Development Department of SEC

Share of Non-Resident Foreign Investors Versus Local Investors

The market was also heavily concentrated in terms of investor holdings. As at the end of the reporting year, 73.4% of total number of shares listed remained in the hands of non-resident foreign investors. 70% of the remaining shares were with institutional investors. Retail investors had very limited shares to make any impact on the market. It is interesting to note that most of the shares in the hands of non-resident foreign investors and local institutional investors were never brought to the market for trading, leaving only a limited amount of shares in the float during the reporting year.

Average Company Size

Average company size on the Ghana Stock Exchange, measured by total market capitalization at the end of the year over the number of listed companies also indicates high level of market concentration on the Exchange. Average company size increased from ₵3,167.49 billion in 2005 to ₵3,515.50 billion in 2006 representing an increase of 10.0%. There is no doubt that the dilemma of over-concentration faced by the Ghanaian stock market is partly responsible for the low liquidity or turnover ratio on the GSE. Prices of many of the listed equities hardly moved during the year and market information also hardly had any effect on price movements. Average company size on the GSE between 2000 and 2006 are presented in the table below:

Table 5: Average Company Size on the GSE (2000 - 2006)

YEAR	TOTAL MARKET CAPITALIZATION (¢ BLN.)	NO. OF LISTED COMPANIES	AVERAGE COMPANY SIZE (¢BLN.)
2000	3,655.04	22	166.14
2001	3,904.03	22	177.46
2002	6,183.84	24	257.66
2003	12,616.80	26	485.26
2004	97,614.82	30	3,253.83
2005	91,857.28	29	3,167.49
2006	112,496.01	32	3,515.50

Source: Research and Market Development Department of SEC.

Market Turnover/Liquidity Ratio

Market turnover ratio or liquidity, measured by value of shares traded, over market capitalization, declined from 0.51% in 2005 to 0.42% for the period under review. Compared to other countries such as Egypt with turnover ratios of 31.1% and 48.7% recorded in 2005 and 2006 respectively. Stock market liquidity on the GSE has always been low. Liquidity on the GSE is indeed among the lowest in Sub-

Saharan Africa. It was only during the 'bullish' periods between 2000 and 2004 that the liquidity ratio slightly went above 1.0%. Below is a table and graphic presentation of liquidity trend on the GSE from the year 2000 to 2006. The table also has a column that compares liquidity of the GSE with the Nigerian Stock Exchange (NSE). It shows that the highest market liquidity on the GSE (3.09%) occurred during the peak of the 'bull run' in 2003.

Table 6: Stock Market Indicators/Liquidity Ratio

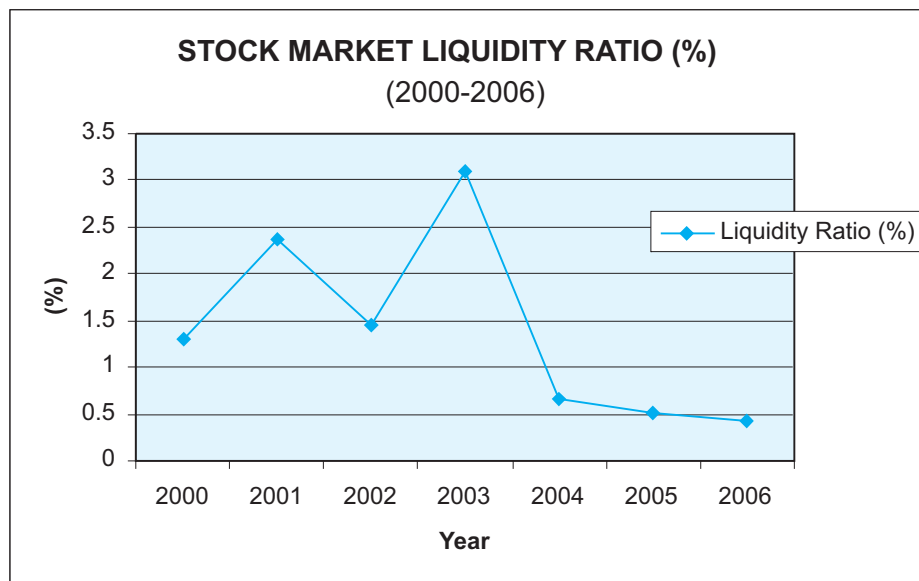
Year	GSE-All Share Index (%)	Total Value of Shares Traded (¢b)	Total Market Capitalization (¢b)	Turnover/Liquidity Ratio Of The Ghana Stock Exchange (%)	Turnover/Liquidity Ratio Of The Nigeria Stock Exchange (NSE) (%)
2000	16.55	50.62	3,655.04	1.38	-
2001	11.42	92.28	3,904.03	2.36	8.90
2002	45.96	89.41	6,183.84	1.45	7.90
2003	154.67	383.30	12,616.80	3.09	8.60
2004	91.33	655.90	97,614.82	0.67	11.60
2005	-29.85	464.36	91,857.28	0.51	10.10
2006	4.97	475.99	112,496.01	0.42	10.90

Source: Research & Market Development Department of SEC

It is interesting to note that liquidity ratio is one of the key indicators that investors and fund managers worldwide, take into consideration before making a decision to invest in a particular market. The low liquidity ratio on the GSE over the years indicates that it is indeed difficult for investors to enter and exit the

market. Improving market liquidity was one of the main reasons behind the initiation of the annual 'securities week event', (a public and stakeholders education and awareness creation campaign) initiated by the Securities and Exchange Commission of Ghana in 2006.

Chart 4



Source: Research & Market Development Department of SEC

Among the reasons for low liquidity on the GSE include high level of market concentration, low volumes of trade, limited float of shares on the market, the 'buy and hold attitude' of investors on the market, particularly among institutional and non-resident foreign investors. Many retail investors also have the habit of keeping their shares for fear of their inability to buy back once they have been disposed of.

There is also the problem of in-adequate market infrastructure which makes access to the stock market difficult and remote to those living outside the jurisdiction of the stock exchange in Accra. The fact that most of the securities industry firms are located in Accra implies investors always have to travel physically to Accra to undertake stock market

transactions. The absence of electronic trading and payment systems has also stifled trading from other locations in the country. Only about 10% of the total population has bank accounts and therefore access to banking facilities is limited. All these factors combine to limit access to the stock market, thereby contributing to the high incidence of low market liquidity on the GSE.

The Primary Market

The slow recovery on the secondary market was compensated for by an active primary market which experienced listing of five (5) companies on the GSE. They included Ecobank Ghana, Ecobank Transnational Incorporated (ETI), Transaction Solution Ghana Ltd, Ayrton Drugs Ghana Ltd., And Total Petroleum Ghana Ltd. (Which was a



merger of Total Ghana and former Mobil Ghana Ltd.). The listing of ETI was significant as it represented the first ever simultaneous cross listing on the three stock exchanges in West- Africa, namely, Ghana, Nigeria and BVRM of Cote D'Ivoire.

In all, a total of **¢989,859,626,000.00** was raised on the primary market in 2006 compared to **¢5.42 billion** in 2005, signifying a pronounced improvement in primary market activity. A break-down of primary issue of securities is captured in the table below:

Table 7: Securities Issued on the Primary Market- 2006

Name of Company	No. of New Shares Issued	Amount Raised (¢)	Type of Issue
Ayrton Drug Manufacturing Ltd	41,731,982	35,472,184,000	IPO
Ecobank Ghana Ltd	8,275,000	91,025,000,000	IPO
Transaction Solutions Ltd	22,662,442	22,662,442,000	IPO
Standard Chartered Bank Gh Ltd	17,480,000	90,700,000,000	Preference Shares
Standard Chartered Bank Gh Ltd	-	750,000,000,000	Medium Term Note
Ecobank Transnational Inc	611,000,000*	-	Listing by Introduction
TOTAL	701,149,424	989,859,626,000	

Source: Research & Market Development/ Corporate Finance Departments of SEC

The Bond Market

By the end of 2006, the outstanding total value of Government of Ghana Index Linked Bonds (GGILBS) listed on the GSE amounted to ¢115.50 billion whilst the only listed corporate bonds by HFC Bank stood

US\$2.50million.

The highlight of the year was the listing on the GSE of Government of Ghana 2- year and 3- year fixed rate bonds worth ¢3,261.50 billion, representing a significant landmark towards the development of the debt market in Ghana.



Industrial Development Bonds

Government's policy of establishing industries in all the districts in the country can be facilitated by issuing industrial development bonds on the market. Revenue from the establishment of these commercial and industrial projects if well managed can easily pay off the interest and the principal of the bonds at maturity. Demand for these types of bonds is already high internationally and should therefore be opened up for both local and international investor participation.

Many countries have also used these types of bonds to finance such projects as airports and harbours, urban mass transit transportation systems including elevated trains, tolled motorways, railways, waterworks and electricity generation and transmission.

Special Purpose Bonds

These are bonds issued by central governments, local government authorities or other economic entities to finance the establishment of special projects meant for the benefit of a selected category of the public. Such projects may include construction of small dams and irrigation projects for particular farming communities, hostel facilities for universities and other academic institutions, health facilities for particular communities in a jurisdiction and so on. Many of such bonds have even been issued in certain countries to finance factory owners or entrepreneurs to re-tool and modernize operations for efficient and effective competitiveness. Fees, rents, dues and other forms of revenue generated from

the projects financed by these bonds are used to service the bonds. Government can consider some of these ideas not only to help activate the bond market but also to create jobs, wealth and accelerate economic development and growth.

Corporate Bonds

As part of its mandate to undertake public education, the Commission will embark on a series of workshops and seminars together with other stakeholders in the market, to highlight the importance of bonds as a long-term funding source for the corporate sector. Over the years, the corporate sector in Ghana had over- depended on bank short-term financing to fund long-term projects. This has led to increasing financial obligations which in turn have limited their ability to expand production, reduce costs and compete on an even keel with imports and competitors from abroad.

Securitization Bonds

Although this is a new area of bond market development, there should be an attempt to explore its use for the benefit of the national economy. Under this fall asset-backed securities which can be developed to activate real estate financing activity and the real estate and housing sector of the economy. It is also suitable for the utility sector of the economy-water, electricity etc. There is no doubt that the securitization market would need some level of legal and regulatory framework to enable a smooth takeoff of the concept in the country. To this end, given the right resources, the Securities



and Exchange Commission, will endeavour to establish the framework as soon as possible.

Banks are known to have issued securitization bonds against good debts. With improvement in Ghanaian banks' ratio of non-performing loans (NPL's), it is ripe for them to start issuing such bonds to improve their liquidity for all year-round banking business. For these bonds to be viable, it will be necessary for the banks to keep a good portfolio of good debts of public and private sector companies and develop a plan for

issuing bonds against these good debts. Loan securitization disperses risk through the financial system and reduces the chances of a banking collapse.

Indeed, gone were the days when banks were stuck with loans and needed to worry about long-term creditworthiness of the borrower. Modern loan securitization techniques have enabled banks to pocket an underwriting fee and get the loan off its books. It is time for all of us to be creative in developing a robust capital market in Ghana.



THE COLLECTIVE INVESTMENT SCHEMES (CIS) INDUSTRY

Under the Securities Industry Amendment Act, Act 590 and the Mutual Funds and Unit Trusts Regulations (LI 1695), collective investment schemes take the form of either a Mutual Fund or a Unit Trust. By the end of 2006, ten (10) collective investment schemes had been licensed to operate by the Commission. They comprised four (4) unit trust schemes and six (6) mutual funds. Out of the ten, only one was operating purely as a money market fund. Campus Mutual Fund was the last to be licensed and was to begin operations in 2007.

In 2006, the total net asset value under the management of nine of the licensed collective investment schemes in operation amounted to **¢676.70 billion**, representing an increase of **23.0%** over that of 2005 (**¢526.05 billion**). **51.0%** of the outstanding total net assets recorded for the year were invested in capital market instruments with the remaining **(49.0%)** in money market instruments.

Total amount of funds mobilized during the year was **¢275.23 billion**. This represents **40.67%** of total net assets of the Collective Investment Scheme market as at December, 2006. The total number of share and unit holders in the collective investment scheme

industry at the end of 2006 was **71,960** which included both institutions and individuals.

The industry could have performed better had firms in the industry designed and implemented well targeted marketing strategies and campaigns to reach all parts of the country. Apart from Enidaso Mutual Fund which is located in Kumasi (the northern sector of the country), the rest of the funds are all located in Accra (the Southern Sector) with virtually no active branch network. A few of the funds also do not have experienced and well trained professional fund managers to enable them build the funds for better returns for members.

During the reporting year, stock market liquidity problems and limited availability of varied investment instruments in the Ghanaian economy posed serious portfolio allocation dilemma for many of the funds. As a result, funds with excess investible liquidity resorted to diversifying their portfolios by investing in some of the regulated offshore markets in Africa. The table below explains the activities and performance of the collective investment scheme sector during the year 2006.

Table 8: Funds under management of Collective Investment Schemes
As at 31st December 2006

		PORTFOLIO ALLOCATION		TOTAL NET ASSET VALUE	MARKET SHARE	FUNDS MOBILIZED IN 2006	FUNDS MOBILIZED IN 2006 AS A % OF TOTAL NET ASSETS	ANNUALIZED YIELD AS AT THE END OF 2006
		MONEY MARKET	CAPITAL MARKET					
	NO. Of Share/Unit Holders	¢' Billion	¢' Billion	¢' Billion	%	¢' Billion	%	%
SAS Fortune Fund	989	1.83	3.12	4.95	0.73	0.51	10.24	9.70
Anidaso Mutual Fund	610	1.04	0.91	1.94	0.29	0.30	15.29	11.70
Databank Money Market Fund	11,184	117.60	-	117.60	17.38	100.40	85.37	14.47
Gold Fund	1,645	3.70	9.28	12.97	1.92	3.05	23.48	22.36
EPACK Investment Fund	41,995	88.07	294.83	382.90	56.58	105.60	27.58	32.0
HFC Unit Trust	12,682	117.06	13.15	130.21	19.24	64.79	49.76	8.70
Horizon Fund	1,800	5.14	2.52	7.67	1.13	0.28	3.67	0.50
HFC REIT	178	0.77	12.50	13.27	1.96	0.12	0.91	2.39
HFC Equity Fund	877	1.51	3.68	5.19	0.77	0.18	3.51	12.46
	71,960	336.71	339.99	676.70	100.00	275.23		

Source: Compiled from data collected from firms in the CIS industry.

Market Share

The largest collective investment scheme in terms of total net assets under management and number of share / unit holders was Databank's Epack Investment Fund. The fund controls more than half of the total net assets of the industry (56.6%) as well as the number of share holders (58.4%). The fund

was also the best performing fund with an annualized yield of 32.00%, beating the GSE All-Share Index by a wide margin and the yields of all money and capital market instruments on the Ghanaian market. It also mobilized the most funds (38.4%) in 2006 followed by the Money Market Fund (36.5% - another subsidiary of Databank's licensed fund).



The two biggest schemes after Epack (Databank's Money Market Fund and HFC Unit Trust) commanded a combined total net asset of 36.6% and a market share of 33.6% in terms of the total fund membership in the industry. Gold Coast Securities' Gold Fund was the second best performing fund in terms of annualized yield (22.36%), beating Databank's Money Market Fund to the third

place with 14.47%.

The worst performing fund in terms of returns or annualized yield was NTHC's Horizon Fund (0.50%). It performed far below the GSE- All Share Index. The table below illustrates the performance and market shares of all the licensed collective investment schemes in the industry.

Table 9: Market Share /Performance of Funds as at the end of 2006

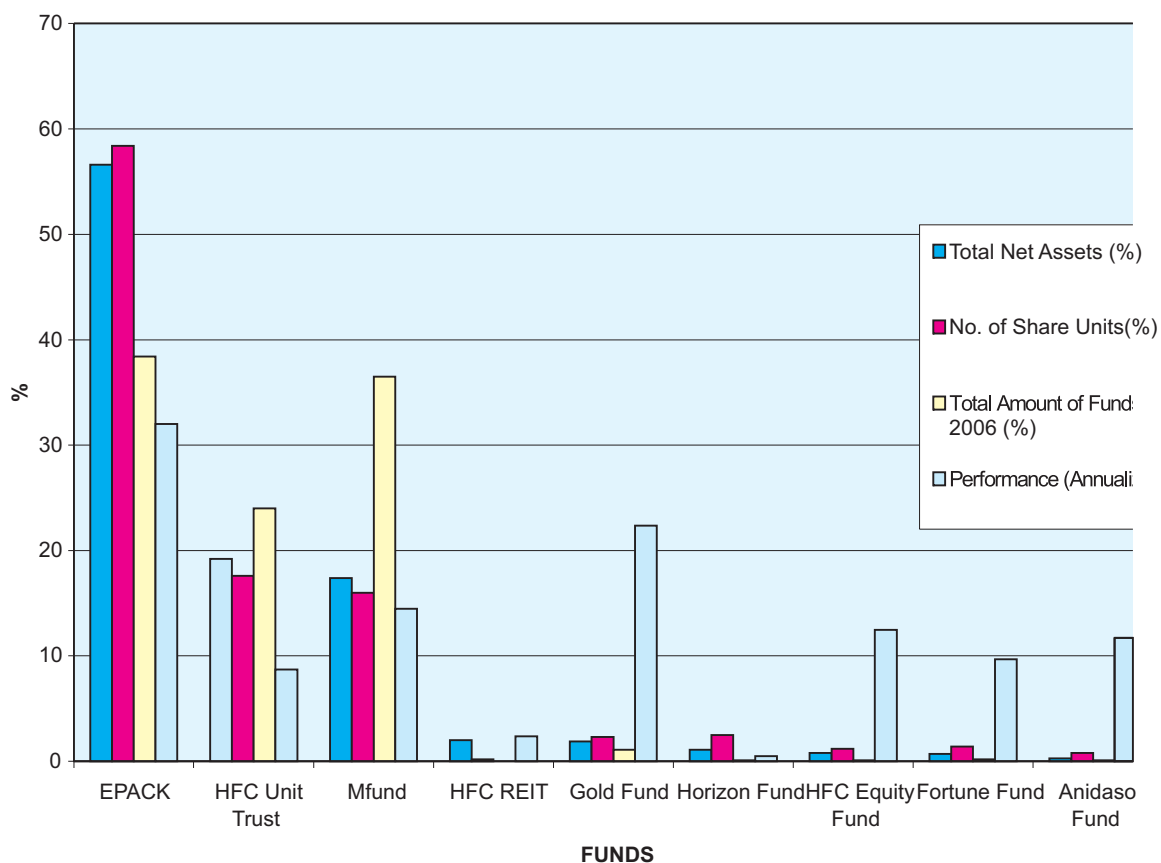
Name Of Scheme	Share of Total Net Assets (%)	Share of No. Of Share/Unit Holders (%)	Share of Total Amount Of Funds Mobilized In 2006 (%)	Performance (Annualized Yield) (%)
EPACK Investment Fund	56.6	58.4	38.4	32.00
HFC Unit Trust	19.2	17.6	24.0	8.70
Databank Money Market Fund	17.4	16.0	36.5	14.47
HFC REIT	2.0	0.2	0.0	2.39
Gold Fund	1.9	2.3	1.1	22.36
Horizon Fund	1.1	2.5	0.1	0.50
HFC Equity Fund	0.8	1.2	0.1	12.46
SAS Fortune Fund	0.7	1.4	0.2	9.70
Anidaso Mutual Fund	0.3	0.8	0.1	11.70
Campus Mutual Fund	-	-	-	-

Source: SEC Data Collected From The Industry



Chart 5

Market Share/Performance of Funds as at the end of 2006





THE INVESTMENT ADVISORY/ASSET MANAGEMENT INDUSTRY

The Investment Advisory Industry of the Securities Market has also experienced phenomenal growth. By the end of the reporting year, the total number of investment advisers licensed by the Commission to provide investment advise and manage funds for clients had increased from seventeen (17) in 2000 to twenty-seven (27). Data collected from twenty (20) out of the twenty- seven licensed investment advisers indicated that

the industry had a total of about **¢3,066.96 billion** of funds under management. Since the industry also manages assets of the mutual funds and unit trusts, this translates into **¢2,390.26 billion** total net asset of the industry (i.e. the industry's total assets minus total net assets of the collective investment schemes). Breakdown-down of funds under management and asset allocation as at the end of the period under review are as follows:

**Table 10: Funds Under Management - Asset Management Companies
- as at The End of 2006**

Name of Fund Managers	No. o f Clients	PORTFOLIO ALLOCATION		Total Funds Under Mangt.
		Fixed Income Securities	Equity Securities	
		¢' Billion	¢' Billion	¢' Billion
Chrisline Financial Services Limited	220	17.57	2.80	20.37
New World Investments Limited	1828	23.22	32.70	55.91
Ecobank Investment Managers Limited	43	447.72	-	447.72
Aureos Ghana Advisors limited	4	42.78	64.17	106.95
Fidelity Asset Management Limited	8	11.25	-	11.25



Name of Fund Managers	No. o f Clients	PORTFOLIO ALLOCATION		Total Funds Under Mangt.
		Fixed Income Securities	Equity Securities	
SDC Brokerage Services	5	1.39	0.04	1.43
Liberty Investments limited	3	8.48	-	8.48
SAS Investment Management Limited	404	14.35	31.95	46.31
NTHC limited	5382	11.80	84.90	96.70
Worldwide Securities Limited	458	0.74	2.11	2.86
Gold Coast Securities limited	26	19.68	13.12	32.80
CAL Assets Management Limited	43	124.56	3.46	128.01
SEM Capital Management Limited	97		2.27	8.53
SIC Finanacial Services	14	305.14	111.46	416.60
Merban Investment Holdings Limited	1800	501.00	7.99	508.99
CDH Securities Limited	297	5.49	3.98	9.47
Databank Asset Management Services Ltd	73	434.00	434.00	868.00
New Generation Investment Services Ltd	51	1.15	1.96	3.11
JCS Investments Limited	5	55.80	37.20	93.00
First Atlantic Asset Management Co. Ltd	31	112.32	9.10	121.42
Fidelity Capital Partners	8	-	79.05	79.05



		PORTFOLIO ALLOCATION		
Name of Fund Managers	No. of Clients	Fixed Income Securities	Equity Securities	Total Funds Under Mangt.
TOTAL	10,800.00	2,144.69	922.27	3,066.96
Total Net Assets of Collective Investment Schemes				676.70
Total Net Assets under Management excluding CISs				2,390.26

Source: SEC Data Collected from the Industry

The largest asset management company in the country in 2006 was Databank Asset Management Services Limited with ₵868.00 billion, representing 28.3% of total industry's assets under management. Merban Investment Holdings Limited was the second largest with a total of ₵508.99 billion worth of assets under management, representing 17.0% of total assets under management in the industry. Merban is followed by Ecobank Investment Managers Limited with ₵447.72 billion of funds under management, which constitutes 14.6% share of the industry's total. SIC Financial Services (an affiliate of the largest insurance firm in Ghana), was the fourth largest investment Adviser with ₵416.60 billion of assets under management

and commanded 13.6% of the industry's market share. Cal Assets Management Limited was the fifth largest firm in the industry with a market share of 4.2% and a total asset of ₵128.01 billion under management. The combined market share of the top ten investment advisory/asset management companies in the country was 94% of the industry's total assets under management, with the remaining 6% shared among the rest in the industry.

The top ten investment advisers/ asset management companies in the country are presented in the table below in a ranking order:



Table 11: Top Ten Investment Advisers/ Fund Management Companies

TOP TEN INVESTMENT ADVISER S	TOTAL FUNDS UNDER MANAGEMENT (¢ billion)	MARKET SHARE (%)
Databank Asset Management Services	868.00	28.3
Merban Investment Holdings Ltd.	508.99	17.0
Ecobank Investment Managers Ltd.	447.72	14.6
SIC Financial Services	416.60	13.6
Cal Assets Management Ltd.	128.01	4.2
First Atlantic Asset Management	121.42	4.0
Aureos Ghana Advisors Ltd.	106.95	3.5
NTHC Ltd.	96.70	3.2
JCS Investments Ltd.	93.00	3.0
Fidelity Asset Management Ltd.	79.05	2.6
TOTAL	2,866.44	94.0

Source: SEC Data Collected from Industry.



Operational Review

OPERATIONAL REVIEW

LEGAL DEPARTMENT

Introduction

The Securities and Exchange Commission, Ghana, operates through a secretariat which is structured along functional rather than sectoral or divisional lines. The organizational structure designed at the inception of the Commission in 1998, reflected the existing structure of the securities industry as well as the basic functions the Commission is called upon to perform under the Securities Industry Law.

The operations of the Secretariat are carried out by departments working through the Director- General and his deputies in line with policy directions of the Commission or the Board and its standing Committees. During the reporting year, the various departments discharged their responsibilities in accordance with the agreed programmes and targets set out at the beginning of the year.

The Legal Department provided legal advice in the course of the work of the Commission and continued to provide general counsel services to the Commission by representing it in various judicial proceedings during the year under review.

Court Actions

The Department continued prosecution which was started in 2005 of its action against Golden Development Holding Company, its Directors and Databank Brokerage Limited (the Lead Manager) in the case of the Securities and Exchange Commission v. Golden Development Holding Company & two others. Following a series of correspondence, the parties agreed to settle the matter out of court by having the Defendants pay the subscriptions they were holding on behalf of subscribers to SEC. The defendants have finally handed over the subscriptions to the SEC for disbursement to subscribers who have not received their refunds.

The Department contested an application for Mandamus brought against it in March 2006 by Think Ghana Ltd. in the case of Republic v. SEC: Ex Parte ThinkGhana. The case was in connection with the takeover/ merger of Ghana Breweries Ltd. by Guinness Ghana Ltd.

ThinkGhana's grievance against the Commission was that ThinkGhana had brought a complaint which the Commission had not acted on.



dismissed as unmeritorious. ThinkGhana complained that the Commission had failed to investigate its complaint and further had failed to refer the matter to the Commission's Administrative Hearings Committee (AHC) - (a quasi-judicial body of the Commission with the powers of a high court). The Commission countered that it had at all times handled Think Ghana's complaint in accordance with the Securities Industry Laws and further that the Commission was not bound to refer every complaint to the AHC. The Commission further explained to the Honourable Court that the Director-General was required under Act 590 to investigate the matter and either settle the matter or dismiss it as the facts merited. In that particular instance, the case merited a dismissal and the complainant was given reasons for that decision. The complainant then sought an order of mandamus from the court to compel the Commission's Administrative Hearings Committee (AHC) to hear the matter. The Commission opposed the application for mandamus on the grounds that;

- a. If the complainant was aggrieved by a decision of the Commission, its remedy lay in an appeal to the High Court and not an application for mandamus.
- b. The application for mandamus was misplaced as SEC had already performed its statutory duties of

investigations and had nothing further to do in the matter. The applicant sought that the Commission would hand down a ruling agreeable to the complainant and the Commission was not bound to do so where the facts did not warrant such a decision and further an order of mandamus for a re-hearing of the matter could not guarantee the applicant the outcome he sought.

- c. The applicant was not a proper person to bring an application for mandamus as it was settled law that the applicant must be an interested party and the applicant was neither a shareholder, creditor nor director of the subject of its complaint, Guinness Ghana Brewery Limited (GGBL).
- d. The applicant had not brought its application in good faith being an aggrieved ex-employee of Ghana Breweries Limited (GBL), which together with Guinness Ghana Limited (GGL) had merged to form Guinness Ghana Brewery Limited (GGBL) and Mandamus, being a discretionary remedy, the application for that must be made in good faith and not for indirect purposes.



- e. The applicant misrepresented to the Commission that a share price had not been agreed upon by the shareholders prior to the merger. Yet the Commission found that there had been such an agreement and that the applicant's CEO and himself as former counsel and secretary to Ghana Breweries Limited (GBL) had signed on behalf of that company an agreement relating to the share price of Ghana Breweries Limited (GBL) and that this agreement had even been filed in the court.
- f. Contrary to the applicant's claim that there was no such company as Guinness Ghana Brewery Limited (GGBL), the company which was created almost two years ago, had a certificate of incorporation and shares in the company were being traded on the floor of the GSE.
- g. The applicant amongst other things had sought that the Commission should declare the merger of the two companies illegal and that this was not a matter for the Commission but for the Registrar-General of companies.
- h. The applicant has since discontinued the case by an application per Notice of Discontinuance on January 4th 2007 after the Motion was argued and before the judge could deliver his ruling. The judge accordingly struck the matter

out.

Enforcement Actions

In the reporting year, the department took enforcement actions against fourteen (14) licensees and listed companies for breach of the Securities Industry Law, rules and regulations. These ranged from destruction of records, late submission of returns, failure to renew operational licences to improper record keeping of client accounts among others. Among the enforcement actions and penalties were suspension of licenses and imposition of fines in accordance with the provisions of the Securities Industry Law. Many of the companies sanctioned were also required by the department to put in place appropriate corrective actions to address lapses in their front desk and backroom operational procedures which were monitored by the Market Surveillance department of the Commission.

Investigations

In addition to the above, the department also assisted the Enforcement and Investigations Department (EID) to conduct investigations into various capital market related activities and complaints lodged with the Commission by investors. This included misuse and misapplication of clients accounts, non-disclosure of material information in an Initial Public Offer (IPO), the use of executive and employee share options and insider trading.



Legislation

The Legal Department assisted with certain capital market related legislations which government wished to enact through Parliament. For example, personnel of the department were part of a team which reviewed the Long Term Savings Scheme Act (Act 679) 2004. The Act was subject to an amendment to tighten the regulatory and other aspects of the Law.

The department continued to review the existing Securities Industry Law, Rules and Regulations as part of the financial sector reform programme to bring the Ghanaian legal and regulatory framework up to international standard. It is also aimed at making our capital market more relevant to the needs of investors and the national economy.

Review of Rules and Regulations

The Department was actively involved in the **review of the GSE Rule Book** which was submitted to the Approvals and Licensing Committee of the Board for approval. The Rule Book was finally approved before the end of the reporting year.

The Department was part of a team which reviewed the SEC Compliance Manual for Investment Advisor's and Broker- Dealers. The revised manual will be submitted to the Approvals & Licensing Committee in 2007 before it is issued finally to the market. In the

course of the year, the Department also formulated new "Prudent Person Rules" to tighten qualifications for directors and those who qualify to be given license to operate in the securities market.

Circulars and Notices

The Department assisted the Approvals & Licensing Committee of the Board in the preparation of the following Circulars & Notices to guide and regulate the Market.

Notice on Initial Public Offer (IPO) and Rights Issues

- In the light of increased issues of securities to the public and recent developments with new flotation (IPOs), the SEC deemed it necessary to provide a guide to the market to promote transparency and better disclosures, and streamline the process of issuing securities to the public.

Circular - The Publication of Enforcement Action in the Mass

- **Media**
The SEC sent a circular to the all dealers and investment advisers of its intention to make available to the public a list of all enforcement actions taken by the SEC secretariat and approved for publication by the Commission



MARKET SURVEILLANCE DEPARTMENT

In 2006 the functions of the Market Surveillance Department (MSD) and Corporate Finance and Investment Management (CFIM) Department were streamlined to remove identified overlaps with respect to inspection and licensing of market operators. Inspection of licensed collective investment schemes which hitherto came under the purview of the Corporate Finance Department was placed directly under the Market Surveillance Department. Corporate Finance and Investment Management Department was given additional responsibility for licensing market operators.

Inspections

Activities of the MSD department during 2006 therefore involved inspections, licensing and renewal of licenses, monitoring of trading on the floor of the Ghana Stock Exchange and prescription of enforcement actions against erring market operators. During the year there were 44 licensed market operators but the department initiated and completed 15 out of 20 planned on-site inspections for the year. This implies 75% achievement on target and 34% inspection coverage of the industry. The break-down of inspection activities during the year are provided in the table

Table 12: On-site Inspections

Broker - Dealers	Status of Inspection
Capital Alliance Co. Ltd.	Completed
Worldwide Securities Ltd.	Completed
Gold Coast Securities	Completed
Cal Brokerage Services Ltd	Completed
CDH Securities	Completed
Databank Brokerage Services Ltd.	Completed
HFC Brokerage Services Ltd	Completed
NTHC Brokerage Services Ltd.	Completed
SDC Brokerage Services Ltd.	Completed
Strategic African Securities Ltd.	Completed



Investment Advisers	Status of Inspection
Liberty Investment Ltd.	Completed
NTHC Ltd.	Completed
HFC Investment Services Ltd.	Completed
Databank Asset Management	Completed
SAS Investment Management Ltd.	Completed

During the inspections, all non-compliant issues identified by the department were brought to the attention of the firms involved for prompt redress, whilst others which constituted serious infraction of the Law, Rules and Regulations were reported to the Legal, Investigations and Enforcement departments and the Board for further directives and action. On the whole, the market was found to be generally compliant.

Off-site Inspections

The department carried out continuous off-site inspections on the activities of market operators. This involved reviews of their monthly, quarterly, half-yearly and annual returns and reports to the Commission.

Visits to the Stock Exchange

The MSD is required to monitor trading activities on the Ghana Stock Exchange on a regular basis. As part of this remit, it started paying three-days per week visit to the Stock Exchange. This was however limited to occasional visits in view of limited personnel and time constraints needed for urgent assignments during the year. The Stock Exchange was then obliged to strengthen its

SRO and surveillance role particularly on the trading floor to make up for the limited presence of the Market Surveillance Department of the Securities and Exchange Commission.

Reporting Format By Registrars

Over the years, the SEC had not developed reporting and licensing requirements for registrars in the market. In 2006, the department was tasked in addition to its responsibilities to assist the legal department to come out with standard reporting requirements for registrars.

Appointment of Compliance Officers

In view of persistent infractions of industry rules and regulations by a handful of market operators, the need for the appointment of compliance officers became necessary especially for firms with the highest degree of risk exposure. The department therefore was tasked to lead an exercise to ensure that all market operators required to appoint such officers, had done so by the end of the year.



Delays with the issue of share certificates

Due to several complaints received from investors on delayed share certificates, the department investigated the matter and made recommendations to the Board. This became necessary as a result of problems envisaged during the dematerialization and migration of securities onto the Central Securities Depository (CSD), to be effected soon with the passage of the CSD Bill.

Capability of Investment Advisers

Under the Venture Capital Trust Fund Act

The department also undertook an exercise with other departments to assess the capacity and capability of investment advisers required to perform certain fund management and investment functions under the Venture Capital Trust Fund Act. The aim was to develop guidelines to ensure that only capable firms with the right capacity in the investment advisory industry qualified to access funds for venture capital investment from the Trust.

ENFORCEMENT & INVESTIGATIONS DEPARTMENT (EID)

Introduction

This is a new department set up specifically to investigate complaints made against infractions of the Law. In the year under review, the department investigated ten (10) major complaints lodged by investors against some of the market operators.

Table 13: Complaints Investigated

Nature of Complaint	Mode of Receipt	Against whom made	Action Taken	Outcome
Non-receipt of share certificates	Written letter	Broker-dealer	Broker-dealer & registrar directed to issue certificate	Share certificate received by complainant
Non-submission of statement of account to client	Written letter	Mutual Fund	The mutual fund was instructed to comply	Statements of account sent to client. Client however redeemed his investment and switched to another fund
Bad investment advice and poor fund management performance	Written letter	Investment adviser	Issues were critically investigated	There was no merit in the case and case dismissed
Missing shares after a merger and delisting	Written letter	Broker-dealer	Broker-dealer was directed to find and issue share certificates to complainant	Share certificates found and issued to complainant
False acquisition of shares	In person	Registrar	Registrar directed to produce evidence of rightful ownership. Complainant was also directed to help with investigations	Rightful ownership established. Complainant abandoned the case
Delay in receipt of share certificates	E- mail	Broker-dealer/ Registrar	The problem arose as a result of printing delay. However the broker and registrar involved were asked to quickly print and send share certificates to the complainant	Complainant received share certificates as directed by SEC



Refusal of fund manager of a mutual fund to comply with redemption of investment as directed by a client/shareholder	In person / written letter	Mutual fund	Fund manager directed to comply with client's request	Payment cheque delivered to client as directed
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Other Investigations

The department also initiated and concluded investigations on certain market related practices that were thought to undermine the integrity of the securities market. This included:

- ***Deliberate concealment of material information:-*** In one of the initial public offers a company which is now listed on the GSE was ex- post facto found to have concealed a material fact in its prospectus. The purpose of the investigation was to establish whether the concealment was wilful and deliberate to deceive investors. The department submitted its findings and recommendations to the Legal department for advice and further action.
- ***Executive /Employee Share Options (ESOPs):-*** Share options have become very popular with listed companies and are ostensibly used as an instrument to reward and motivate members of the Board of directors, management and staff for better performance and loyalty. Investigations revealed that most of these share

options were issued to recipients virtually for free. Acceptable as share option schemes may be, the Commission had observed certain practices that it believed were likely to become a potential threat to the fairness and transparency of the market. For- example, high positive correlation had been established between share price movements and trading in share options by directors, management and staff of certain listed companies. This seemed to place other investors and shareholders at a disadvantage.

As a result, the department was tasked to conduct further investigations into possible abuse in the use of share options by certain listed companies. Investigations revealed the existence of not only abuse of the scheme but also a strong correlation between share price movements and the exercise of employee share options.

As a result of these findings, the Commission is considering issuing comprehensive rules and guidelines on insider trading to guide the conduct of



members of boards of directors, management and staff as well as associates of listed companies in the use and trading of share options. These are also intended to enforce and strengthen Section 128 of PNDC Law 333 (as amended) on Insider Trading.

Misuse of Client's Assets: - During the year, one of the major institutional

investors in the country lodged a complaint against a securities company for misuse and in-ability to account for funds it lodged with the company for investment. This matter was duly investigated by the department and recommendations made to the Legal department for advice and further action.



CORPORATE FINANCE & INVESTMENT MANAGEMENT DEPARTMENT

Introduction

Corporate Finance and Investment Management Department (CFIM) suffered a major depletion in its human resource during the year as two key members of staff left to join the investment wings of two of the big universal banks in the country. Despite this handicap, the department continued with its business improvement initiative to identify and remove all non-value added activities and to maximize efficiency. The end result of this initiative included better communication with applicants and reduced turnaround time for processing of applications. The department had quite an active year. Areas of activities covered review of public offer documents, attendance of annual general meetings of listed companies, granting and renewal of operators' licenses.

Review of Offer Documents

The department received and reviewed various public offer documents with the potential of having a direct impact on the activities of the Ghana Stock Exchange (GSE) and the Ghanaian capital market as a whole. There were three initial public offer (IPO) documents that sought to raise a total of **¢149.159 billion** from the public; one preference share document for **¢90.7 billion**, a medium term note offer of **¢750 billion** and one listing by introduction. With the exception of the medium term note for Standard Chartered Bank (Ghana) Limited, all shares

were listed on the GSE by end 2006.

Other Activities that Impacted the Capital Market

Other documents reviewed by the department were as follows:

- **Total Ghana Limited:** An offer document to buy shares held by Mobil Ghana Limited's shareholders was reviewed and approved. After a successful bid, Total proceeded to takeover Mobil Oil (Ghana) Limited. Total's shares are currently listed on the GSE under the name, Total Petroleum Limited.
- **Government Notes and Bonds:** The Bank of Ghana was granted approval in 2006 to list existing government notes and raise new capital on behalf of Ghana Government.
- **Campus Mutual Fund Limited:** The request was for the operation of a mutual fund. The public offer document was approved and the company was yet to commence operations as at the end of this reporting year. The fund is to be managed by SDC Brokerage Limited.

- **British American Tobacco Company Ltd (BAT):** BAT submitted a proposal to buy back existing shareholders' shares. This action would lead to the de-listing of the company from the Ghana Stock Exchange. Approval has since been given but the offer was yet to commence as at the end of 2006.
- **HFC Bank (Ghana) Ltd (HFC):** HFC submitted a proposal to raise **US\$5.0million** on the corporate bond market under its housbond programme during the last quarter of the year. The prospectus has been approved and the offer is yet to be made to the public.

Outstanding Documents Under Review

Two documents received in 2006 were in their final review stage when the year ended. They were to be submitted for consideration by the Approvals and Licensing Committee of the Board. They were applications for a mutual fund license from **Balanced Fund Limited**, to be managed by a subsidiary of Databank, and an initial public offer by **Persol Solutions Ltd**. As at the end of 2006, the department was still awaiting responses from the applicants on issues raised in the second review of the documents.

Annual General Meetings (AGMs)

The department was unable to cover AGMs held outside Accra due to human resource and logistics constraints. These were the AGMs of:

Golden Web Ltd.

Anglogold Ashanti Ltd.

- Benso Oil Palm Plantation Ltd.
- Guinness Ghana Breweries Ltd.
-

Despite resource and time constraints the CFIM Department managed to attend nine (9) out of twenty- three (23) AGMs held in Accra, on which reports were made to management. These were:

- Produce Buying Company Ltd
- CAL Bank Ltd
- Ghana Commercial Bank Ltd
- SG-SSB Bank Ltd
- HFC Bank Ltd
- Standard Chartered Bank Ghana Ltd
- Unilever Ghana Ltd
- British American Tobacco Co. Ltd
- Enterprise Insurance Co. Ltd
-

There were a few occasions where two or three AGM meetings were held on the same day. This also made it impossible for the department to cover as many AGMs as planned. Trust Bank (Gambia) Ltd did not advise SEC of its AGM date, neither was its annual report forwarded to SEC prior to its meeting.

New Licenses Issued

The Market Surveillance Department which used to handle licensing of market operators and renewal of licenses handed this activity over to CFIM. New licenses were granted to five market operators to enable them to p r o v i d e



investment advisory and dealer- services as follows:

Table 14: New Licenses Issued In 2006

Name of Company	Type of License
Lindsay Capital Ltd	Investment Advisory
Cidan Investment & Advisory Services Ltd	Investment Advisory
IC Securities Ltd	Investment Advisory
Prudential Securities Ltd	Investment Advisory
Standard Chartered Investment Services Ltd	Dealer- Issuing House

Renewal of Licenses

Most market operators were able to have their licenses renewed. A few, however, either did not submit renewal requests or submitted incomplete documentation. This resulted in the suspension of five operators, namely, **Boulders Advisors Ltd, First Atlantic Brokers Ltd, Capital Alliance Ltd (brokerage and investment advisory), and Provident Insurance Company Ltd (Trustee)**. They were required to regularize their positions with the Commission within one month. With the exception of Capital Alliance Ltd all others did regularize their status and had their licenses restored after one month's suspension. The license of Capital Alliance has since been restored.

A number of operators were sanctioned for late renewal of license. **J Kofi Bucknor &**

Associates, for-instance, failed to renew its operating license and subsequently requested to suspend operations.

Post- Public Offer Inspections

The department was not able to conduct post-listing/ public offer inspections on any of the companies that raised funds from the public in the year 2006. This was due to time constraints and shortage in staffing levels suffered by the department during the year under review. The inspections are meant to ascertain the application of funds raised from the public for the purposes stated in the public offer documents. The department is looking forward to another challenging but more resourceful year as the Commission works towards growing a reputable capital market for Ghana.



RESEARCH AND MARKET DEVELOPMENT DEPARTMENT

Introduction

The major functions of the department among others include the following:

- Giving advise on economic and other environmental issues germane to the Commission's regulatory and market development programmes

- Analyzing the potential impacts and benefits of proposed regulations and rules on market operators and the capital market

Engaging in long- term research and

- policy planning in addition to providing research support in regulatory and enforcement policy areas.

Formulating and implementing

- comprehensive investor/ public education and capital market development programmes.

Taking care of the Commission's media,

- public and international relations including publications of the Commission.

2006 was quite a busy year for the department as it assisted the Commission to accomplish the following tasks among others;

Securities Industry Week

In November, 2006, the department

organized the maiden Securities Industry Week for the capital market and the Commission. It was under the theme, "**The Capital Market: The Missing Key To Ghana's Economic Development And Growth**". Speakers were drawn from a cross section of the Ghanaian public as follows:

Dr. Paul Acquah - Governor/ Chairman of Bank of Ghana

- Mr. Kwame Pianim - Chairman of Public Utilities Regulatory Commission (PURC) and an eminent Ghanaian economist

Mr. Mats Karlsson - World Bank Country Representative in Ghana

- Mr. Oteng Gyasi - President of Association of Ghanaian Industries (AGI). He represented the view of industry

Dr. Sam Mensah - Technical Adviser on finance to the Ministry of Finance and Economic Planning

The public lectures were complemented by panel discussions which were designed to examine both the demand and supply sides of the securities industry and issues related to t h e

development of the capital market in Ghana. Panelists were drawn from industry, the securities market, investors (both retail and institutional) and government. Panelists invited were as follows:

- Mrs Elizabeth Villars - Managing Director of Camelot (Representing listed companies)
- Ms. Abena Amoah - Executive Director of Strategic African Securities (SAS)- (Representing the securities Industry)
- Mr. R.B. Perbi - Representing retail investors
- Mr. Ernest Nyarko - Representing Social Security & National Insurance Trust (SSNIT), the biggest institutional investor in Ghana.

Feature Articles

The department contributed immensely towards public and stakeholders' education and understanding of the securities industry. Two articles were written to educate policy makers, investors, entrepreneurs and the general public about the importance of the capital market to corporate and national economic development, growth and wealth creation. They were serialized in various business publications in the country. The articles were as follows;

Developing The Unlisted or Over-The-Counter (OTC) Securities Market In Ghana.

Developing Ghana's Capital Market: Understanding The Role of the

- Securities And Exchange Commission, Ghana

The two feature articles together with securities industry week succeeded to lift the image of the industry and attract the attention and interest of policy makers and other stakeholders towards the development of the capital market. Calls of encouragement were received by the department as the complexities of the capital market were broken down in simple 'layman's language'.

Media / Public Relations

The Research and Market Development Department managed all the media, public and international relations quite well on behalf of the Commission. Through the department's instrumentation, the Commission received positive and widespread media coverage in both the electronic and print media on various issues pertaining to the development of the capital market. This included the work of the Commission in relation to licensing and regulation of the industry, development of the unlisted securities market, review of the existing code on mergers and takeovers, development of the collective investment scheme sector, sanctions brought against market operators and related issues affecting market development. The department ensured that the Commission did not receive any negative publicity. The Commission as a whole received about seventy



eight (78) write ups in the print media and several mentions in the electronic media. The support of the media was overwhelming during the securities week, particularly the public lectures which enjoyed live broadcast on radio.

Workshop on Unlisted (OTC) Securities Market / Review of Mergers & Take-Over Code

The department in March 2006 organized a workshop for stakeholders in the industry and the media on the development of an active and transparent unlisted or over-the-counter securities market in Ghana. The same workshop also discussed a review of mergers and take-over code for Ghana.

The workshop was organized to discuss the findings of consultants who had been engaged by the SEC to review not only the merger and take-over code but also study the existing OTC market and provide an appropriate regulatory framework and recommendations for an effective and efficient conduct, development and regulation of the market. This brainstorming workshop was well attended and has since occupied the attention of the media and government.

2005 Annual Report

During the reporting year, the department prepared and published the Commission's annual report for 2005. This was distributed to various ministries. Departments and agencies, institutions, securities market operators, selected securities regulators

abroad and other stakeholders.

Presentations

The department made presentations to several visiting individuals and groups. This involved the work and mandate of the Commission, the developments in the market, the future of the capital market in Ghana etc. The groups included;

- Clients of Barclays Bank Custodial Services and that of Databank Asset Management Ltd.

Officials of the World Bank

- Officials from the African Development Bank
- Natural Resource Institute of University of Greenwich, U.K discussed establishment of a commodities exchange in Ghana

Officials from the International Finance Corporation (IFC)

- Post-graduate Business Students from the University of Cape Coast, Ghana.

Unclaimed Dividends

The final study by the department on unclaimed dividends in listed companies in Ghana was submitted and acted upon by the Commission and the Government of Ghana. The department assisted the Legal and



Enforcement Department to issue a white paper in the form of a circular with details of intended actions to be taken by the Commission to participants in the securities market for their response. The media also reported and commented extensively on the circular and commended the SEC for the initiative. Whilst these responses were being collated, the Ghana Government announced in its 2007 annual budget statement to parliament in November 2006, that it intended to bring before parliament for enactment, a general bill covering various unclaimed asset classes which would include unclaimed dividends. The government promised to work closely with the Securities and Exchange Commission on the proposed bill.

Financial Sector Reforms / Strategic Plan (FSR/ FINSSP)

The department liaised with the Financial Sector Reform (FSR/ FINSSP) Secretariat of the Ministry of Finance and Economic Planning to implement the capital market component of the financial sector reform. The department was given the responsibility to

co-ordinate the activities of departments within the SEC with respect to implementation of the reform programme. In this regard, the department prepared and submitted various documents on behalf of the Commission towards a successful take-off of the financial sector reforms in 2006.

Technical Working Group on Capital Market Development

The department together with the legal department, represented the Commission on the technical working group on capital market development, set up by the Ministry of Finance and Economic Planning to advise government on the adoption of a policy on divestiture and privatization of government assets. The department made invaluable contribution by presenting a paper on behalf of the Commission to advise government to use privatization as a long-term strategic means to develop the Ghanaian capital market and creating a local investor base for the Ghanaian economy.



HUMAN RESOURCE MANAGEMENT & ADMINISTRATION DEPARTMENT

Introduction

The department serves as a support unit within the Commission by ensuring that all other departments function smoothly with the appropriate resources and motivation towards the attainment of the strategic and statutory goals of the Commission. During the period under review, the department invested significant efforts in building capacity for the sustainable performance of the Commission. The department undertook recruitment, placement and performance appraisal exercises; reviewed conditions of service; maintained proper records of staff and logistics; effected disciplinary action; made timely procurement and maintenance of operational logistics; and implemented training and development programmes of the Commission.

Recruitment, Staffing & Placement

Recognising the strategic importance of the quality of professional regulatory staff within the SEC, considerable effort was made throughout 2006 in overhauling the entire human resource capacity and reward system of the Commission. The department initiated and completed recruitment and orientation of new officers to augment the staffing level of the Commission. During the reporting year, 6 (six) additional staff were engaged as follows:

Officer II	4
Admin Secretary	1
Driver	1
Total	6

Other Engagements

2 (two) members of staff (one from the Legal Department and the other from Corporate Finance and Investment Management) resigned from the Commission. Consequently, the department received directives from the Commission (board) to replace them as soon as possible. Recruitment procedures were quickly initiated and three (3) applicants were finally offered employment letters to assume duty.

Vacant Positions

After conducting a manpower audit the department identified a few number of vacant positions that needed to be filled. Approval will be sought from the board to fill those vacancies next year.

Staff On Secondment & Study Leave

One of the Commission's experienced staff was still on secondment with the Legal division of the Ministry of Finance and Economic Planning.

Grade **Number**



A member of staff from the Research and Market Development department was still on study leave during the year under review.

Training and Development

The increasing sophistication of the securities market has made it inevitable that the Commission increases its investment in its staff to enable SEC perform its role in protecting investors and regulating the market. The Department therefore prepared and submitted a training programme for the year. Most senior officers attended various management development, training tours, seminars and conferences locally and overseas. The outcome of these programmes reflected positively in this year's performance appraisal results conducted by the department.

Reward/ Compensation

Since the future growth, effectiveness and the efficient operation of SEC as a regulatory organization, depends on a sound development and motivation of all required human resources, the department reviewed salary banding or notches, organisational

structures, employment contracts, allowances and other human resource factors with the aim of making the Commission an attractive regulatory employer of choice. Recommendations from the review were sent to the Finance and Administration Committee of the Commission for approval and implementation.

The exercise became necessary because of the high rate of attrition or turnover of staff the Commission had suffered in recent times. The nature of our business always demands the attraction, maintenance and retention of high calibre, experienced, professional staff-lawyers, accountants, economists, financial analysts, researchers, investigators, forensic auditors, marketers etc. - who are constantly being attracted to take up good offers from banking and other financial services sector firms. A policy to recruit fresh graduates has also been initiated to augment the human resource needs of the Commission.



INFORMATION TECHNOLOGY (IT) DEPARTMENT

Introduction

The key functions of the department include:

- Providing leadership on management information for the Commission
- Developing the Commission's Information technology architecture for network Information System
- Developing Information technology plan and vision for the Commission
- Information technology Assets Management
- Developing web based/client-server applications for business solutions involving multiple commercial off - the - shelf and custom built applications
- Providing Management Information System (MIS) technical guidance and training
- Data security
- Maintenance of the Commissions website.

During the 2006 programme year, the IT department of SEC continued to pursue its functional responsibility of organizing and

implementing an integrated program designed to support the Commission and its staff in all aspects of information technology. This is to help the commission take full advantage of information technology and its inherent efficiency in the corporate and securities market regulatory environment.

In 2006, the Commission continued to enhance its operational efficiency and regulatory capabilities by employing and making full use of its Information Technology infrastructure and business solutions. Several major activities and developments took place in the year under review. These include the following:

Local Area Network (LAN)

The Local Area Network (LAN) was set up and reconfigured and corrupt active directory restored. The entire SEC network based on windows 2000 server Active Directory was replaced with windows 2003 server Active Directory to allow for effective and efficient management of server services. The backup server was reconfigured to run as additional domain controller reducing network downtime even though power outages, hacker attacks, hardware failure and breakdowns were occasionally experienced.



Internet Services and Web Based Operations

The Information Technology department continued to support the Commission in the areas of research, information sharing, and communication by providing internet connectivity and email services to enhance the work of staff members.

Discoverytel Ghana Ltd (formerly ThirdRail Broadband Solutions) still remains the Internet Service Provider (ISP) for the Commission. The bandwidth provided was 64kps shared with the TCP/IP protocols and firewalls provided by the ISP together with Domain Name Servers (DNS) for name resolutions.

The Commission continued to use its corporate domain name **secghana.org**. The SEC website was monitored and updated with current information and developments in the capital market as well as financial reports from licensed operators. Complaints and enquiries received through the website were forwarded to appropriate departments for action to be taken.

Purchase of IT Equipment

The IT department within the year under review procured some IT equipment and accessories. Computers, UPS, surge protectors, DVD writer as well as IT consumables such as toners, cartridges, keyboards, mouse, mouse pads, diskettes, hard disks, network adaptors, paper backs, binding combs, recordable CDs and DVDs

Upgrading and Maintenance of Software

The IT department continued to host,

maintain, update and troubleshoot the corporate email server and proxy server to enable efficient distribution of corporate emails both internally and externally. These include the upgrade of proxy server (Wingate proxy software), mail transport agent (mdaemon mail server software), file transfer protocol application (wsftp) and other Microsoft office products used by the commission. However the commission is yet to upgrade its Payroll Processing , Accounting and Financial Management System. Currently there is no support for the Accounting and Financial Management System as the vendor (SAMBUS Ghana Ltd) has stopped supporting the software.

Application Development

The IT department has started with development of client/server application software code named **SECMIS** using Microsoft Access, Visual basic 6.0 and crystal reports. This application when completed would have the capability of capturing listed companies financials, licensed holders information, monthly, quarterly and annual financial reports, trading allocation analysis and data analysis. In pursuance of this objective various meetings have been held with heads of departments and other staff to understand user requirements and information flow, review documents and reporting requirements.

Troubleshooting and IT User Support

The IT department provided IT user support t o



all categories of staff in the use of computers, application software and other IT equipment through training programmes and support given to staff in their normal line of duty.

Repair and troubleshooting, computer hardware, application software and networks problems were handled by the IT department.

Training of IT staff

In order to stay abreast with current trends and technology in capital market automation issues in preparation for our automation programme, the Commission organized a study tour for a member of the IT and the market surveillance department. The objective of this study tour was to familiarize the staff with the operations of the Central Securities Depository (CSD) and the Automated Trading System (ATS) of stock exchanges. Overall, it was a valuable learning process as the observations and experience so derived would be key in the implementation of the capital market automation project being pursued under the Financial Sector Reform of the Economic Management Capacity Building (EMCB)

programme.

Conclusion

The commission has plans for massive investments in IT to meet the new market trends in terms of automation. The commission is looking forward to upgrade its IT infrastructure and equipment in readiness for capital market automation project under the Financial Sector Reforms. This will entail the expansion of local area network (LAN) to accommodate new staff on its network as well as creating a Wide Area Network(WAN) linking the commission to the Automated Trading System (ATS) of the Ghana Stock Exchange (GSE), the business solutions provided by the Central Securities Depository (CSD) and other market players through the use of cutting edge solutions to support all activities of the commission.

The IT department will rigorously pursue the implementation of IT security through the use of intrusion detection and prevention systems, anti spam solutions and business continuity plans and procedures to reduce network downtime and data loss.



INTERNAL AUDIT DEPARTMENT

Introduction

Effective internal controls are the foundation of safe and sound accounting in any organization. A properly designed and consistently enforced system of operational and financial internal control assists that organization's Board of Directors; in the case of SEC, the Board of Commissioners and Management safeguard the Commission's resources, produce reliable financial reports, and comply with financial laws and regulations. Effective internal control also reduces the possibility of significant errors and irregularities and assists in their timely detection when they do occur.

Internal Audit Manual

In view of the above therefore and also the fact that the Department had just taken off, it was expedient to come out with an Internal Audit Manual which would guide the activities of the Department, and indeed the entire Commission. The production of the manual would also formally codify the internal control system in the Commission.

Indeed, barely three months into the establishment of the Department, a draft Internal Audit Manual for the Commission was produced in the year under review. The draft manual was presented to the Director-General for his study and advice and subsequent adoption by the Commission. Copies were also given to The Deputy Director-General responsible for Finance

and Administration and the Head of the Accounting Department for their comments, input and advice.

The manual touched on Commission's operating policies, such as the Commission's Policy Statement, Commission's Audit Policy, Reporting to the Audit Committee, Executive endorsement of the Internal Audit Charter, etc.

The manual gave an overview of the Internal Audit Department and the operating systems within the Commission. Other areas covered in the manual include; Mission Statement of the Commission, Internal Audit Charter, Quality Assurance and improvement, Internal Auditing Policy, Internal Auditing Operating Principles, Reporting to Management and Audit Committee, Objectivity of the Audit Work, Due Professional Care, Fraud and Responsibilities of the personnel that make up the department.

It also dealt with Audit Procedures and Techniques. This included Audit Objectives and Planning of Audit Work and issues relating to Information Technology among others.

Other sections of the manual covered Internal Audit staff qualification and development; Audit Administration, that is, the personal conduct and independence of internal audit staff; review of work performed by staff, both internally and externally to

First Quarter Internal Audit Report

During the year, the department prepared quarterly internal audit report for consideration by management and Board of the Commission. The first quarter report covered Payroll and Petty Cash systems of the Commission, as well as activities of the Human Resource Department which related to payroll administration.

Issues that came to light during the internal audit included, the need for an integrated system of accounting which could easily marry the payroll system to the main accounting system, better control of the petty cash system, improvement in the filing and record keeping system. The department made appropriate recommendations to the Audit and Human Resource Committee of the Board through the Director-General. Prompt action was taken immediately to correct the lapses. The others which needed more resources and investment to rectify are also being worked on.

Second Quarter Internal Audit Report

The report covered the department's audit of the Commission's Fixed Assets and Fuel Allocation to qualified staff members for the year ended June 30, 2006. The report made a list of findings and recommendations after thorough audit procedures. A report was submitted to the Audit Committee through the Acting Director-General. The department highlighted the need for;

- Streamlining the procurement system within the Commission
- Streamlining the fuel allocation system

- to provide for a more efficient use of vehicles and fuel for operational activities of the Commission in the face of rising fuel prices in the country.

Cutting expenditure on maintenance on

- Commission Vehicles many of which are deemed to be too old to be maintained, but for lack of resources could not be immediately disposed of.

Following this report, the Director-General and the committee issued directives to streamline all areas of activities suggested in the report.

Third and Last Quarter Internal Audit Reports

These reports dealt with the operational audit of the Corporate Finance and Investment Management Department. The report made a number of suggestions as to how to improve resources and operational procedures within the department to enable it respond appropriately to the needs of the Commission's stakeholders. The recommendations are presently being worked on by the Director-General.

On the whole, the Internal Audit Department received maximum co-operation of the Board, management and staff of the Commission. Its findings and recommendations were taken seriously which have helped the Commission to improve on its internal control and operating systems leading to valuable cost savings.



Financial Statements



SECURITIES AND EXCHANGE COMMISSION

**FINANCIAL STATEMENTS FOR THE
YEAR ENDED 31 DECEMBER, 2006**

OSEI KWABENA & ASSOCIATES
(CHARTERED ACCOUNTANTS)
71 PALACE STREET, 603/18
NORTH KANESHIE
P. O. BOX 10276
ACCRA - NORTH



SECURITIES AND EXCHANGE COMMISSION

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SECURITIES AND EXCHANGE COMMISSION

STATEMENT OF COMMISSIONERS RESPONSIBILITY

The Commissioners are required to prepare financial statements for the financial year which give a true and fair view of the state of the Commission and of the results for that period. In preparing those financial statements, the Commissioners are required to:-

- a. Select suitable accounting policies and then apply them consistently.
- b. Make judgements and estimates that are reasonable and prudent.
- c. State whether applicable accounting standards have been followed.
- d. Prepare the financial statements on a

going concern basis.

The Commissioners are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Commission and to enable them to ensure that the financial statements comply with the Securities Industry Law 1993(P.N.D.C. L333) as amended by Act 590,2000. They are also responsible for safeguarding the assets of the Commission and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



SECURITIES AND EXCHANGE COMMISSION

REPORT OF THE AUDITORS

We have audited the financial statements on pages 86 to 94 which have been prepared under the historical cost convention and the accounting policies set out on page 89.

Respective Responsibilities of Commissioners and Auditors

These financial statements are the responsibility of the Commissioner. Our responsibility is to express an independent opinion, based on our audit, on these financial statements.

Basis of Opinion

We conducted our audit in accordance with generally accepted auditing standards. An audit includes examination on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Commissioners in the preparation of the financial statements, and of whether the accounting policies are appropriate to the commission's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to

obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion, proper books have been kept and the financial statements, which are in agreement therewith, comply with the Securities Industry Law 1993 (P.N.D.C L 333) as amended by Act 590, 2000 and give a true and fair view of the state of the Commission's affairs as at 31st December, 2006 and of the income and cashflow for the year.

.....
OSEI KWABENA & ASSOCIATES
(CHARTERED ACCOUNTANTS)
[Signature]
April, 2007



SECURITIES AND EXCHANGE COMMISSION

**INCOME AND EXPENDITURE STATEMENT
THE YEAR ENDED 31 DECEMBER, 2006**

	Note	2006 ¢	2005 ¢
INCOME:			
Ghana Government Subvention	2	5,982,374,591	4,172,003,400
Other Income	3	<u>9,178,375,206</u>	<u>3,418,791,347</u>
Total Income		<u>15,160,749,797</u>	<u>7,590,794,747</u>
EXPENDITURE:			
Emoluments and Allowances	4	4,800,076,789	3,234,478,449
Administrative Activity Expenses	5	3,017,633,551	2,488,071,460
Service Activity Expenses	6	<u>1,315,656,926</u>	<u>693,776,281</u>
Total Expenditure		<u>9,133,367,265</u>	<u>6,416,326,190</u>
Excess of Income Over Expenditure Transferred to Accumulated Fund		<u>6,027,382,532</u>	<u>1,174,468,557</u>



SECURITIES AND EXCHANGE COMMISSION
BALANCE SHEET AS AT 31 DECEMBER, 2006

Note		2006 ¢	2005 ¢
		4,675,223,520	1,142,630,928
FIXED ASSETS	8		
CURRENT ASSETS		4,588,544,657	2,277,566,230
		777,155,356	967,920,708
Short-Term Investment		160,408,397	27,553,015
9		869,872,018	868,570,765
Sundry Debtors	10	<u>7,128,565</u>	<u>4,826,309</u>
Prepayments	11	<u>6,403,108,994</u>	<u>4,146,437,027</u>
Cash at Bank	12		
Cash on Hand	13		
		<u>141,355,459</u>	<u>379,473,432</u>
CURRENT LIABILITIES		<u>141,355,459</u>	<u>379,473,432</u>
Accruals	14	<u>6,261,753,535</u>	<u>3,766,963,595</u>
NET CURRENT ASSETS		<u>10,936,977,055</u>	<u>4,909,594,523</u>
NET ASSETS			
REPRESENTED BY:		<u>10,936,977,055</u>	<u>4,909,594,523</u>
Accumulated General Fund	15		

DIRECTORS

The attached notes 1 to 15 on pages 89 to 94 form an integral part of the financial statements and should be read in conjunction therewith.



SECURITIES AND EXCHANGE COMMISSION

**CASH FLOW STATEMENT FOR THE
YEAR ENDED 31 DECEMBER, 2006**

	2006 ¢	2005 ¢
Net Operating Surplus	6,027,382,532	1,174,468,557
	<u>392,772,533</u>	<u>466,356,714</u>
Add: Depreciation	6,420,155,065	1,640,825,271
Changes in operating Assets and Liabilities:		
	190,765,352	(369,094,997)
Decrease in Debtors	(132,855,382)	77,940,276
Increase in Prepayment	<u>(238,117,974)</u>	<u>309,848,477</u>
Decrease in Creditors and Accruals	6,239,947,061	1,659,519,027
Net Cashflow from Operating Activities		
Investment Activities:		
Increase in Investment	<u>(2,310,978,427)</u>	<u>(2,069,763,532)</u>
Purchase of Fixed Assets	<u>(3,925,365,124)</u>	
Increase/(Decrease in Cash Equivalent)	<u>3,603,509</u>	<u>(283,094,800)</u>
		<u>(693,339,305)</u>

ANALYSIS OF CHANGES IN CASH AND CASH EQUIPMENT

	2006 ¢	2005 ¢
Balance B/Fwd @ 01/01/2006	873,397,074	1,566,736,379
Net Change in Cash	<u>3,603,509</u>	<u>(693,339,305)</u>
Closing Balance @ 31/12/2006	<u>877,000,583</u>	<u>873,397,074</u>



SECURITIES AND EXCHANGE COMMISSION

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER, 2006**

1. ACCOUNTING POLICIES

The financial statements set out on pages 86 to 94 have been prepared in accordance with the following accounting policies.

a. Basis of Accounting

These financial statements have been prepared using the historical cost convention.

b. Depreciation

Depreciation is provided on a straight-line basis at rates, calculated to write-off costs of the each fixed assets over its estimated useful economic life to the Commission. The rates applicable were:

Motor Vehicles	-	20%
Furniture, Fixtures & Fittings	-	10%
Office Equipment	-	15%
Household Equipment	-	15%
Motor Bicycles	-	25%
Library Books	-	25%

c. Foreign Currency

Transactions denominated in foreign currencies are converted using the foreign exchange rates ruling at the date of the transactions.

Balances held in foreign currencies are translated into cedis using the exchange rates ruling on the balance sheet date, 31 December, 2006.



SECURITIES AND EXCHANGE COMMISSION

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER, 2006**

**2. GOVERNMENT SUBVENTION -
¢5,982,374,591**

	2006 ¢	2005 ¢
This is made up as follows:		
	4,696,318,462	3,340,707,551
Personnel Emolument	884,110,766	510,149,990
	187,205,363	321,145,859
Administration	<u>214,740,000</u>	=
Services	<u>5,982,374,591</u>	<u>4,172,003,400</u>
Investment		

3. OTHER INCOME - ¢9,178,375,206

	2006 ¢	2005 ¢
This is made up as follows:		
	735,000,000	825,200,000
	263,052,062	142,194,026
Licences and Fees	1,588,976,106	245,000,000
Investment Income	1,399,062,964	1,965,250,871
Penalties	4,865,910,118	241,146,450
Transactions Levy	9,000,000	-
Prospectus Approval Fees	484,637	-
Bidding Document Fees	40,045,156	-
Interest On Staff Loans	178,661,663	-
Foreign Exchange Gain	95,262,500	-
Subvention for Gratuity	<u>2,920,000</u>	=
Contributions for Securities Week	<u>9,178,375,206</u>	<u>3,418,791,347</u>

Sale of Corporate Governance Manual

4. PERSONNEL EMOLUMENTS - ¢4,800,076,789

	2006 ¢	2005 ¢
This is made up as follows:		
Note		
	2,942,647,535	1,706,507,017
	322,954,629	209,415,608
Basic	1,534,474,625	1,139,894,262
Employers Contribution	=	<u>178,661,562</u>
Allowance	<u>4,800,076,789</u>	<u>3,234,478,449</u>
Gratuity		



SECURITIES AND EXCHANGE COMMISSION

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER, 2006**

5. ADMINISTRATIVE EXPENSES -

¢3,017,633,551

	2006	2005
	¢	¢
This is made up as follows:	13,541,650	25,900,313
Electricity and Water	45,979,877	53,086,123
Telecommunication	3,563,502	-
Postal Expenses	43,998,000	64,953,000
Security Service	8,113,500	7,571,000
Office Cleaning and Sanitation	120,845,665	116,319,383
Stationery and Office Supplies	99,932,885	82,823,885
Entertainment Allowance and Refreshments	31,808,000	22,092,000
Publications and Library Books	21,336,775	105,479,278
Subscriptions and Membership Fees	37,000,000	41,064,000
Rent - Office Accomodation	14,677,000	20,379,922
Travelling and Transport	588,119,549	310,401,060
Vehicle Running Costs		
Repairs and Maintenance:	107,505,489	123,032,681
- Official Vehicles	16,232,250	7,964,200
- Furniture and Fittings	73,253,428	77,553,272
- Equipment	15,937,392	32,774,989
Vehicle Insurance	645,700	3,081,575
Bank Charges	219,158,622	161,654,092
Medical Insurance and Expenses	33,614,000	28,750,000
Audit Fees/Expenses	5,200,000	26,873,580
Donations and Contributions	53,900,000	46,845,000
Honoraria and Protocol	1,005,000	13,660,000
Legal Feess	25,248,000	44,550,000
Staff Welfare	<u>1,580,616,284</u>	<u>1,416,809,353</u>
Balance Carried Down		



SECURITIES AND EXCHANGE COMMISSION

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER, 2006**

		2006 ¢	2005 ¢
Balance Carried Forward		1,580,616,284	1,416,809,353
Board Members' Fees	7	450,438,761	358,424,747
Bonus		159,686,450	109,044,668
Accrued Leave Expenses		162,482,147	-
Contract Printing		68,480,375	-
Staff Utility		189,912,000	-
Outstation / Local Hotel Expenses		13,245,000	-
Depreciation		<u>392,772,534</u>	<u>466,356,714</u>
		<u>3,017,633,551</u>	<u>2,350,635,482</u>

6. SERVICE ACTIVITY EXPENSES - ¢1,315,656,926

This is made up as follows:

	2006 ¢	2005 ¢
Foreign Travel	728,872,266	241,650,681
Staff Training	52,899,457	73,705,000
Hire of Venue	31,192,500	-
Media Coverage/Publicity	16,500,000	
Advertisement	89,856,911	195,276,503
Hotel Accommodation	273,960,304	
Stationery	-	13,750,720
Printing and Publications	55,564,616	89,575,377
Internet Connectivity Charges	<u>66,810,871</u>	<u>79,818,000</u>
	<u>1,315,656,926</u>	<u>693,776,281</u>

7. BOARD MEMBERS' FEE

AND SITTING ALLOWANCE - ¢450,438,761

	2006 ¢	2005 ¢
Additional Directors Fee	79,262,218	60,751,290
Membership & Sitting Allowances	<u>371,176,543</u>	<u>297,673,457</u>
	<u>450,438,761</u>	<u>358,424,747</u>

SHORT - TERM INVESTMENT - ¢4,588,544,657

This represents Short-Term Investments stated
at market value.



SECURITIES AND EXCHANGE COMMISSION

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER, 2006**

10. SUNDRY DEBTORS - ₵777,155,356

	2006	2005
This is made up as follows:	₵	₵
Staff Rent Advance	282,454,135	216,470,801
Accounts Receivable (Ghana Government)	117,949,750	670,318,550
Staff Car Loan	325,429,528	81,131,357
Staff M'bike Loan	31,348,838	-
Personal Loan	19,973,106	-
	<u>777,155,356</u>	<u>967,920,708</u>

11. PREPAYMENTS- ₵160,408,397

	2006	2005
This is made up as follows:	₵	₵
Insurance Prepaid (Vehicle)	21,559,974	8,690,140
Internet Service Prepaid	-	18,862,875
Insurance Prepaid (Medical)	105,282,556	-
Security	4,278,000	-
SSNIT	29,287,867	-
	<u>160,408,397</u>	<u>27,553,015</u>

12. BANK AND CASH BALANCES- ₵869,872,018

	2006	2005
This is made up as follows:	₵	₵
Bank of Ghana (Dollar Account)	35,122,752	405,437,464
Bank of Ghana (Cedi Account)	69,691,504	74,598,118
Ecobank Ghana Ltd. (Account No. 1)	594,821,826	251,832,703
Ecobank Ghana Ltd. (Account No. 2)	<u>170,235,936</u>	<u>136,702,480</u>
	<u>869,872,018</u>	<u>868,570,765</u>

13. CASH ON HAND - ₵7,128,565

	2006	2005
This is made up as follows:	₵	₵
Petty Cash	641,884	1,219,984
Accountable Imprest	<u>6,486,681</u>	<u>3,606,325</u>
	<u>7,128,565</u>	<u>4,826,309</u>



SECURITIES AND EXCHANGE COMMISSION

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER, 2006**

14 ACCRUALS - ₵141,355,459

	2006	2005
	₵	₵
This is made up as follows:		
Electricity Company of Ghana	1,365,279	543,850
Ghana Water Company Ltd	262,981	124,558
Ghana Telecom Ltd	2,629,073	689,540
IRS - PAYE	-	44,657,793
SSNIT		24,436,245
Audit Fees	41,208,333	28,750,000
State Enterprises Commission - Rent	9,000,000	18,000,000
State Enterprises Commission - Security	1,800,000	3,600,000
State Enterprises Commission - Sanitation	108,000	216,000
Withholding Tax Payable	18,162,320	34,598,457
Net Salary Payable	-	165,631,989
Security-Westech	21,160,000	
Members Allowance Accrued	-	58,225,000
Shell Castle Road-Fuel	42,599,069	-
Unrealised Interest	<u>3,060,404</u>	-
	<u>141,355,459</u>	<u>379,473,432</u>

15. ACCUMULATED FUND -

₵10,936,977,055

	2006	2005
	₵	₵
This is made up as follows:		
	4,909,594,523	3,735,125,966
Balance @ 01/01/2006	<u>6,027,382,532</u>	<u>1,174,468,557</u>
Transfer from Income and Expenditure	<u>10,936,977,055</u>	<u>4,909,594,523</u>
Balance @ 31/12/2006		



Register of Licensed Market Operators (2006/2007)



RIGEISTER OF LICENSED BROKER DEALER

BROKER-DEALER

ADDRESS/PLACE OF BUSINESS

CAL BROKERS LIMITED

45 INDEPENDENCE AVENUE
P.O BOX 14596
ACCRA
TEL: 021-680052, 021-680061-9
Email: calbrokers@calbank-gh.com
Website: www.calbank-gh.com

CAPITAL ALLIANCE CO. LIMITED

E310/9 INDEPENDENCE AVENUE
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Email: eduseikofi@hotmail.com or
wonyoh@yahoo.com

NTHC SECURITIES LIMITED

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AIRPORT
ACCRA
Tel: 238492-3/235814-5
Fax: 229975/240243
Email: nthc@ghana.com

STRATEGIC AFRICAN SECURITIES LIMITED

2ND RIDGE LINK, NORTH RIDGE
P.O Box 16446
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Fax: 251550-1 / 7010774
Email: sasltd@africaonline.com.gh

SDC BROKERAGE SERVICES LIMITED

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ASAFOATSE NETTEY STREET,
POST OFFICE SQUARE
P.O Box GP 14198
ACCRA
Tel: 021-669372-5
Fax: 021-669371
Email: brokerages@sdcggh.com
Website: www.sdcgh.com

GOLD COAST SECURITIES LIMITED

Mozambique Link Accra,
P.O BOX GP 17187
ACCRA
Tel: -910620
Fax: 021-256344
Email: gclspartner@yahoo.com



EDC STOCKBROKERS LIMITED

No. 5 2nd Ridge Link
North Ridge
P.O Box AN 16746
ACCRA
Tel: 021-251720/7
Fax: 021-251734
Email: esl@ecobank.com

DATABANK BROKERAGE LIMITED

NO. 61 BARNES ROAD
ADABRAKA
PMB, MINISTRIES POST OFFICE
ACCRA
TEL: 021-669110/669417/662363
FAX: 021-669100
Email: info@databankgh.com
Website: www.databankgroup.com

WORLDWIDE SECURITIES LIMITED

NO. 8 RINGWAY LINK
P.O BOX OS 01072
OSU- ACCRA
TEL: 021-764578, 021-256001
FAX: 021-764580
Email: info@worldwidesecurities-gh.com
Website: www.worldwidesecurities-gh.com

HFC BROKERAGE SERVICES LTD

6 Sixth Avenue Ambassadorial Enclave,
West Ridge, Accra.
P O Box CT 4603
Cantoments, Accra.
Tel: (233-21) 683891-3, 664203, 664214,
Fax: (233-21) 664106
Email: brokerage@hfcbank-gh.com
Website: www.hfcbank-gh.com

NEW WORLD INVESTMENT LIMITED

2ND FLOOR HERITAGE TOWER
AMBASSADORIAL ENCLAVE
P.O Box CT 2868
CANTOMENTS
ACCRA
Tel: 021-660163/676979/676980
Fax: 021-670518
Email: service@newworldgh.com
Website: www.newworld.com.gh

MERBAN STOCKBROKERS LIMITED

57 Examination Loop
North Ridge,
P.O BOX 401
ACCRA
TEL: 021-251131-6
FAX: 021-251138
Email: merban_services@merbangh.com

LIBERTY INVESTMENTS LIMITED

Glico House
Ayikai Street,
Abossey Okai
P.O.Box GP 18086
Accra-Ghana
Email: libertyinvestments@hotmail.com

CDH SECURITIES LIMITED

No. 36 Independence Avenue, North Ridge
P.O. Box 14911 Accra Ghana
(Adjacent National Insurance Commission)
Tel: (233-21) 667425-8, 7010394
Fax: (233-21) 662167
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FIRST ATLANTIC BROKERS LTD

Atlantic Place

No. 1 Seventh Avenue

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Cantonments

Accra, Ghana.

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Fax: (+233) 21 679250

Website: www.firstatlanticbank.com.gh



REGISTER OF LICENSED INVESTMENT ADVISERS

INVESTMENT ADVISER

CAPITAL ALLIANCE CO. LIMITED

E310/9 INDEPENDENCE AVENUE
P.O BOX 9544
ACCRA
TEL: 021-769261, 021-769755
Email: eduseikofi@hotmail.com or
wonyoh@yahoo.com

HFC INVESTMENT SERVICES LTD

6 Sixth Avenue Ambassadorial Enclave,
West Ridge, Accra.
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Cantoments, Accra.
Tel: (233-21) 683891-3, 664203, 664214,
Fax: (233-21) 664106
Email: brokerage@hfcbank-gh.com
Website: www.hfcbank-gh.com

ECOBANK INVESTMENT MANAGERS LIMITED

19th Seventh AVENUE
RIDGE WEST
P.O Box 16746
ACCRA
Tel: 021-7011856/223716
Fax: 021-681181/680428
Email: ecobankgh@ecobank.com

ADDRESS/PLACE OF BUSINESS

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NO. 61 BARNES ROAD
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TEL: 021-681404, 021-7010070
FAX: 021-681443, 021-669100
Email: info@atabankgh.com
Website: www.databankgh.com

GOLD COAST SECURITIES LIMITED

18TH AVENUE, RIDGE
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Fax: 021-256344
Email: gclspartner@yahoo.com

CDH SECURITIES LIMITED

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(Adjacent National Insurance Commission)
Tel: (233-21) 667425-8, 7010394
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Email: service@cdhghana.com



NEW WORLD INVESTMENT LIMITED

2ND FLOOR HERITAGE TOWER
AMBASSADORIAL ENCLAVE
P.O Box CT 2868
CANTOMENTS
ACCRA
Tel: 021-660163/676979/676980
Fax: 021-670518
Email: service@newworldgh.com
Website: www.newworld.com.gh

AUREOS GHANA ADVISORS LTD

Regimanuel Grey Headquarters
No. 2 La By Pass, La Accra
P.O Box 2617
Tel: 770212
Fax: 765118
Email: ghanaoffice@aureos.com
Website: www.aureos.com

MERBAN INVESTMENT HOLDINGS LTD

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BOULDERS ADVISORS LTD

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Fax: 771249

NTHC SECURITIES LIMITED

MARTCO HOUSE, ADABRAKA
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AIRPORT
ACCRA
Tel: 238492-3/235814-5
Fax: 229975/240243
Email: nthc@ghana.com

WORLDWIDE SECURITIES LIMITED

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**FIRST ATLANTIC ASSET MANAGEMENT
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Fax: (+233) 21 679250
Website: www.firstatlanticbank.com.gh

SEM CAPITAL MANAGEMENT LTD

4th Floor, Trust Towers
Farrar Avenue
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Fax: 240666
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Website: www.semfinancial.com



SDC BROKERAGE SERVICES LIMITED

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ACCRA

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Fax: 021-669371

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SAS INVESTMENT MANAGEMENT LTD

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JCS INVESTMENT LTD

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KIA, Accra

CHRISLINE INVESTMENT SERVICES LTD

C97/2 Ayikuma Avenue
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Tel:229552/233313/233331
Fax: 225935/316777
Email: chrislineinvestment@yahoo.com

**NEW GENERATION INVESTMENT
SERVICES LTD**

1st Floor
Cocobod Jubilee Building
Adum, Kumasi
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Fax: 051- 34854/31286

SIC FINANCIAL SERVICES LIMITED

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Website: www.calbrokersltd.com

**CIDAN INVESTMENT & ADVISORY
SERVICES LTD**

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Thorkey House,Tema
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Tema
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818199
Email: cias@yahoo.com

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Website: www.icsecurities.com



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LICENSED CUSTODIANS

BARCLAYS BANK GHANA LIMITED

Barclays bank Securities Services
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MERCHANT BANK GHANA LIMITED

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Website: www.merbangh.com

STANBIC BANK GHANA LIMITED

Valco Trust House
Castle Road, Ridge
P.O Box CT 2344
Cantonments-Accra
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Fax: 687669/7011591
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LICENSED TRUSTEES

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Provident Tower
Ring Road Central
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Accra
Tel: 229807/233964/221096
Fax: 239463

MERCHANT BANK GHANA LIMITED

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Website: www.merbangh.com



**REGISTER OF LICENSED COLLECTIVE
INVESTMENT SCHEMES**

A. MUTUAL FUNDS	FUND MANAGER	CUSTODIAN
DATABANK MONEY MARKET FUND LIMITED NO. 61 BARNES ROAD ADABRAKA PMB, MINISTRIES POST OFFICE ACCRA TEL: 021-681404, 021-7010070 FAX: 021-681443, 021-669100 Email: info@ databankgh.com Website: www.databankgroup.com	Databank Asset Mgt Co. Ltd	Barclays Bank Gh. Ltd
EPACK INVESTMENT FUND LIMITED NO. 61 BARNES ROAD ADABRAKA PMB, MINISTRIES POST OFFICE ACCRA TEL: 021-681404, 021-7010070 FAX: 021-681443, 021-669100 Email: info@ databankgh.com Website: www.databankgroup.com	Databank Asset Mgt. Co. Ltd	Barclays Bank Gh. Ltd
NTHC HORIZON FUND LIMITED MARTCO HOUSE, ADABRAKA P.O Box KIA 9563 AIRPORT ACCRA Tel: 238492-3 Email: nthc@ghana.com Website: www.nthcghana.com	NTHC Limited	Barclays Bank Gh. Ltd
SAS FORTUNE FUND LIMITED 2ND RIDGE LINK, NORTH RIDGE P.O Box 16446 ACCRA Tel: 251546-9 / 7011770 Fax: 251550-1 / 7010774 Email: info@sasghana.gh Website: www.sasghana.com	Strategic African Securities Ltd.	Barclays Bank Gh. Ltd



ANIDASO MUTUAL FUND LIMITED 1ST FLOOR COCOBOD JUBILEE HOUSE, ADUM KUMASI P.O BOX UPO 603 KUMASI Tel: 051-91607-9, 024-3854452 Email: newgenerationghana@yahoo.com	New Generation Inv. Serv. Ltd.	Barclays Bank Gh. Ltd.
CAMPUS MUTUAL FUND LIMITED 1ST FLOOR FORMER NPART BUILDING (Adjacent AMA) HOUSE NO. D921/3 ASAFOATSE NETTEY STREET, POST OFFICE SQUARE P.O Box GP 14198 ACCRA Tel: 021-669372-5 Fax: 021-669371	Securities Discount Company Ltd.	Barclays Bank Gh. Ltd.

B. UNIT TRUSTS	FUND MANAGER	TRUSTEE
HFC UNIT TRUST 6 Sixth Avenue Ambassadorial Enclave, West Ridge, Accra. P O Box CT 4603 Cantoments, Accra. Tel: (233-21) 683891-3, 664203, 664214, Fax: (233-21) 664106 Email: isl@hfcbankgh.com Website: www.hfcbank-gh.com	HFC Investment Services Ltd.	Merchant Bank Gh. Ltd.
HFC REAL ESTATE INVESTMENT TRUST 6 Sixth Avenue Ambassadorial Enclave, West Ridge, Accra. P O Box CT 4603 Cantoments, Accra. Tel: (233-21) 683891-3, 664203, 664214, Fax: (233-21) 664106 Email: isl@hfcbankgh.com Website: www.hfcbank-gh.com	HFC Investment Services Ltd.	Merchant Bank Gh. Ltd.



HFC EQUITY TRUST 6 Sixth Avenue Ambassadorial Enclave, West Ridge, Accra. P O Box CT 4603 Cantoments, Accra. Tel: (233-21) 683891-3, 664203, 664214, Fax: (233-21) 664106 Email: isl@hfcbankgh.com Website: www.hfcbank-gh.com	HFC Investment Services Ltd.	Merchant Bank Gh. Ltd.
GOLD FUND UNIT TRUST 21 st . Dr. Isert Road North Ridge, Accra (Near the Royal Danish Embassy) P O Box GP 17187, Accra Tel: (233-21) 256342/3 Fax: (233-21) 256344 Email: gcs@goldcoast.com Website: www.hfcbank-gh.com	Gold Coast Securities Ltd.	Provident Insurance Co. Ltd.



REGISTER OF ISSUING HOUSES

STANDARD CHARTERED INVESTMENT SERVICES LTD.

P.O Box 768, Accra

Tel: 664591-8, 769210-221

Fax: 667751, 683560

REGISTER OF LICENSED REGISTRARS

GHANA COMMERCIAL BANK LTD.

Share Registry Office

High Street, Accra

NTHC LIMITED

1st Floor,

Martco House, Adabraka

Accra.

P.O Box 9563

Airport, Accra.

MERCHANT BANK GHANA LIMITED

Registrars Department

57 Examination Loop

North Ridge, Accra

P.O Box 401

Accra

Tel: 251131-3

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Website: www.merbangh.com

**APPENDIX****Appendix 1: Performance of listed equities on the GSE**

Company	Ticker	Sector	Issued Shares (m)	Market Capitalization (¢b)	Capital Gains (%)	P/E Ratio	DIV. Yield	Value Traded
Accra Brewery	ABL	Brewery	249.45	286.86	-11.54	-	-	44.52
AngloGold Ashanti	AGA	Mining	274.27	82,281.22	0.00	239	1.1	288.60
AngloGold Ashanti depository shares	AADs	Mining	0.98	303.55	3.37	247	1.0	9,235.10
Aluworks	ALW	Aluminium	41.68	302.21	44.93	14	6.9	31,506.60
Ayrton Drugs	AYRTN	Pharmaceuticals	215.00	209.84	14.82	16	10.2	4,418.14
British American Tobacco	BAT	Tobacco	69.13	228.14	8.20	-	10.8	3,233.97
Benso Oil Palm	BOPP	Processing	34.80	191.40	0.00	27	-	3,366.89
Cal Bank	CAL	Banking	157.08	346.35	10.25	8	2.5	80,571.06
CFAO	CFAO	Trading	224.00	89.38	-0.25	11	-	82.77
Clydestone	CLYD	IT Solutions	34.00	27.20	-20.00	42	3.8	121.89
Camelot	CMLT	Printing	6.54	11.12	0.00	21	2.4	100.90
Cocoa Processing	CPC	Processing	1,100.84	592.25	-10.33	75	0.6	2,281.74
Ecobank Ghana	EBG	Banking	161.23	2,179.60	22.90	13	3.7	26,992.59
Enterprise Insurance	EIC	Insurance	25.57	225.45	28.62	12	1.1	8,101.47
Ecobank Transnational Inc.	ETI	Banking	611.00	13,869.78	1.57	29	1.2	79,998.66
Fan Milk	FML	Diary Products	19.78	356.16	13.94	13	2.2	25,230.38
Ghana Commercial Bank	GCB	Banking	165.00	1,014.75	-8.75	6	6.5	34,951.16
Guinness Ghana Breweries	GGBL	Brewery	164.67	1,552.88	19.48	63	4.5	28,613.85
Golden Web	GWEB	Manufacturing	29.97	16.48	0.00	24	-	4,015.09
HFC Bank	HFC	Banking	100.16	540.85	-10.00	39	0.8	5,130.01
Mechanical Lloyd	MLC	Automobile	50.10	105.20	-16.00	13	1.9	454.19
Pioneer Kitchenware	PKL	Aluminium	16.49	13.19	0.00	-	-	71.63
Produce Buying Co.	PBC	Produce Buying	480.00	1,248.00	-13.33	-	-	66.46



PZ Cussons Gh.	PZ	Conglomerate	28.00	186.48	2.46	10	1.1	456.20
Standard Chartered Gh.	SCB	Banking	17.60	2,780.17	21.54	9	7.3	64,164.47
Starwin Products	SPL	Pharmaceuticals	74.08	40.74	-5.17	14	1.8	191.05

Appendix 2: Selected Debt Instruments Listed On The GSE - 2006

Government Bonds	ISIN/ Ticker	Value (¢m)	Coupon Rate (%)	Maturity Date	Current Yield (%)	Price (%)
2-Year GOG Bonds	GHOG006339	60,688.42	17.00	Feb 4, 08	17.00	100.0000
2-Year GOG Bonds	GHOG007006	41,868.90	16.30	Mar.24,08	16.12	101.1320
2-Year GOG Bonds	GHGOG008533	9,226.06	16.00	Jun.16, 08	16.00	100.0000
2-Year GOG Bonds	GHGOG008632	42,183.99	15.80	Jun.30, 08	15.80	100.0000
2-Year GOG Bonds	GHGOG008905	33,101.92	15.80	Jul.21, 08	15.70	100.6153
2-Year GOG Bonds	GHGOG009077	56,307.93	15.80	Aug.4, 08	15.80	100.0000
2-Year GOG Bonds	GHGOG009176	12,157.17	15.80	Aug.11, 08	15.70	100.6459
2-Year GOG Bonds	GHGOG009374	154,168.92	16.00	Aug.25, 08	16.00	100.0000
3-Year GOG Bonds	GHGOG006040	24.45	17.50	Jan.5,09	-	-
3-Year GOG Bonds	GHGOG006552	50,093.97	17.20	Feb16,09	-	-
3-Year GOG Bonds	GHGOG007493	66,600.00	16.50	Apr.27,09	-	-
3-Year GOG Bonds	GHGOG009390	130,710.00	16.25	Aug.24,09	-	-
3-Year GOG Bonds	GHGOG009564	88,053.20	16.00	Sept.7,09	-	-
Corporate Bonds						
HFC Series H Dollar Bonds	GHGOG000656	US\$ 2.5 Million	5.00	Dec.8, 09	5.00	100.0000
SCB Medium Term Note 01	SCBGL01	¢350 Billion	11.96	Dec.29, 08		

Appendix 3: Summary of Market Information

1. Market Structure

Market Operators - Type	2006	2005	2004	2003	2002	2001	2000
Brokerage Houses (Broker Dealers)	17	18	15	14	14	14	14
Investment Advisers	27	28	21	19	17	18	17
Collective Investment Schemes	10	9	9	8	4	0	0
Custodians	3	3	3	3	2	0	0
Trustees	2	2	2	2	1	0	0
Registrars	3	3	3	4	4	4	4
Stock Exchange	1	1	1	1	1	1	1
Central Securities Depository*	1	-	-	-	-	-	-
Listed Companies	32	29	30	25	24	22	22

* Yet to be licensed by SEC

2. Funds Under Management

Sector	Amount – 2006 (¢)	Amount – 2005 (¢)	Amount - 2004 (¢)
Collective Investment Schemes	676.70 billion (Net asset value)	526.05 billion (Net asset value)	780.62 billion
Investment Advisers	3,066.90 billion	-	-
TOTAL	3,743.60 billion (provisional)	-	-

3. Stock Market Information

STOCK MARKET	2006	2005	2004
GSE-All Share Index	4.97%		
Market Capitalization	¢112,496.01 bln.	¢91,857.28 bln.	¢97,614.82 bln.
% of market Cap of top 5 listed companies	90.7%	-	-
% float of top five companies of total float	56.93%	-	-
Total Number of IPOs	3	1	5
Total Amt. raised on Primary Equity Market	¢979.85 billion	¢5.42 billion	¢225.89 billion
Market Liquidity Ratio	0.42%	0.51%	0.67%
BOND MARKET			
Value of Listed Bonds on the GSE			
HFC Housbonds Bonds	US\$2.50 million	-	US\$2.50 million
Standard Chartered medium term notes	¢350.00 billion	-	-
Government of Ghana Bonds	¢3,261.50 billion	-	¢109.5 billion

Appendix- 4: Highlights of 2007 Budget Statement and Economic Policy on Capital Market Development

The Bond Market

Five year bond issue

The government proposed issuing and listing a 5-year sovereign bond on the Ghana Stock Exchange in 2007. This will be a major benchmark issue on the GSE as it will help extend the maturity yield beyond the successful 3-year medium term government instrument. It will pave the way for private issue of long-term bonds, essential for raising long-term funds to finance business projects

Jubilee Bond

The government also proposed in the budget statement to issue a jubilee bond of the cedi equivalent of US\$ 25 million. The aim is to allow all Ghanaians to participate in the financing of selected infrastructure development in the country.

Agency Bonds

Public agencies and institutions such as the universities and utility companies were going to be allowed, encouraged and given assistance to



raise needed long-term finance from the local capital market

Legislative and Administrative Framework on Unclaimed Assets (including unclaimed dividends)

Government announced in the budget statement that it was going to initiate a legislative and administrative process to address the issue of unclaimed assets which includes such asset classes as dividends, interest on bonds, dormant bank accounts, insurance and pension benefits. The budget

statement mentioned that the proposed legislation would provide for the establishment of a national framework for the management of unclaimed assets and public education on the procedures for tracing such unclaimed assets.

The Ministry of Finance and Economic Planning would manage the legislative initiative in collaboration with the Securities And Exchange Commission, Bank of Ghana and the Registrar General.

Proposed Tax Rates In The 2007 Budget Statement

	Tax Description	Proposed Rate - 2007	Existing Rate - 2006
1.	Dividend	8%	10%
2.	Capital Gains tax	5%	10%
3.	Venture Capital Tax Exemptions		
a	<i>Venture Capital Companies</i>		
i.	Corporate Income Tax	10 Years	5 Years
ii.	Dividend	10 Years	5 Years
iii.	Capital Gains Tax	10 Years	5 Years
b.	<i>Venture Capital Investors/ Shareholders</i>		
i.	Interest	Exempt	Taxable
ii.	Dividend	Exempt	Taxable
iii.	Capital Gains	Exempt	Taxable
iv.	Tax Deductible of Investment	Corporate institutions & individuals	Only Financial Institutions
v.	Carry Forward of Loss On Disposal Shares	5 Years	Nil



4.	National Reconstruction Levy		
a.	Part A Companies	Abolished	5%
b.	Part B Companies	Abolished	2.5%
5.	Value Added Tax (VAT)		
a.	Raw materials and packaging materials used in manufacturing HIV/Aids, Tuberculosis & Malaria drugs	Exempt (2.5% National Health Insurance Levy inclusive)	15%
b.	Locally Manufactured Pharmaceutical Products	Zero Rated (To enable recovery of input VAT to become more competitive)	Exempt
	Import Duties		
a.	Raw materials used by registered manufacturers	5%	10%
b.	Raw materials and packaging materials used in manufacturing HIV/Aids, Tuberculosis & Malaria drugs	Exempt	10%
	Excise Duties		
	Structure– (Targeted at beer, stout, carbonated soft drinks, cigarettes and other tobacco products)	Specific Rate	Ad- valorem

Source - Budget Statement and Economic Policy (2007) & KPMG, Ghana

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