



TO ALL INVESTMENT ADVISERS

PERMISSIBLE ACTIVITIES BY INVESTMENT ADVISERS

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The Securities and Exchange Commission, pursuant to section 9(c) and (d) of the Securities Industry Act, 1993 (PNDCL 333) as amended by the Securities Industry (Amendment) Act, 2000 (Act 590) (hereinafter called ‘the Act’) issues the following Market Guidance Notes on permissible activities by Investment Advisers licensed by the Commission.

1. PREAMBLE

An investment adviser according to the Act is one who carries on the business of advising others concerning securities as part of its regular business issues or publishes analysis or reports concerning securities or pursuant to a contract or agreement with a client, undertakes on behalf of the client the management of a portfolio of securities for the purpose of investment. The permissible activities are listed below.

2. FUND MANAGEMENT

This is the process of managing a portfolio of securities on behalf of clients pursuant to a contract or an agreement for investment purposes. The sources of funds for management by fund managers include those from:

- ❖ Individuals
- ❖ Institutions
- ❖ Provident Funds and Welfare Funds
- ❖ Collective Investment Schemes (CIS)
- ❖ Endowments and Foundations
- ❖ Pension Funds

Fund managers also undertake advisory services as provided under item 3. Below;

2.1 Class Lass of Assets for Investment of Clients' Funds

2.1.1 Capital Market Instruments

Capital Market Instruments refer to securities with maturities of over one year and fund managers with discretionary powers can invest clients' funds in the following capital market instruments:

- ❖ Local Equity – Listed and Unlisted
- ❖ Foreign Equity – Listed
- ❖ Local Bonds –Listed and Unlisted
- ❖ Foreign Bonds – Listed
- ❖ Preference Shares
- ❖ Venture Fund
- ❖ Mutual Funds and Unit Trusts
- ❖ Notes (more than one year)
- ❖ Others (As may be permitted by law)

2.1.2 Money Market Instruments

Securities with maturities of up to one year are referred to as money market instruments and fund Managers can place investors' funds in the following:

- ❖ Fixed Deposits issued by financial institutions regulated under the Banking Act, 2004 (Act 673) as amended by Banking (Amendment) Act, 2007 (Act 738)
- ❖ Commercial Paper (refer to Guidelines on Commercial Paper issued by the Commission on October 8, 2012 in order to ensure compliance)
- ❖ Treasury Bills

3. ADVISORY SERVICES

Advisory services are performed by both fund managers and investment advisers and involves the process of advising others concerning securities. Any company that engages in the business of advising clients, either directly or through publications as to the value of securities or as to advice of investing in, buying or selling securities is deemed to engage in investment advisory services. The firm receives compensation for giving advice on investing in securities and performs corporate finance activities including:

- ❖ Mergers

- ❖ Acquisitions or Takeovers
- ❖ Securities Issuance
- ❖ Raising of Funds
- ❖ Restructuring

4. PUBLISHING ANALYSIS

This activity can be undertaken by fund managers and investment advisers.

Access to information has been one of the many problems that confront the development of the capital market and the financial services sector at large. Research and publication of such information can be sold to institutional investors, such as, insurance companies, finance houses, financial newspapers and magazines, private equity firms, and other research institutions.

5. ACTIVITIES OUTSIDE PERMISSIBLE ONES

Investment Advisers are required to seek clarification from the Commission when in doubt about any activity not listed as permissible in this circular before undertaking such an activity.

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DIRECTOR-GENERAL

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