GHANA
CAPITAL MARKET MASTERPLAN

2020 - 2029

Securities and Exchange Commission

CONTENT

01. Foreword

The Capital Market is an essential driver for economic growth and development. Unfortunately, the evolution of our financial sector has not aggressively placed this essential industry at the heart of financial sector development over the decades.

Essentially, the Capital Market has been developing over the years without a dedicated comprehensive coordinated plan and with limited efforts on the part of key stakeholders to enable sustainable growth in the industry. Notably, the implementation of broader financial sector reforms spanning from the establishment of the Ghana Stock Exchange (GSE) in 1990 have not brought to light Government's ultimate objective of creating a viable ecosystem for long-term capital to fuel Ghana's development. In consequence of these and of the economic factors underlying them, the Capital Market has not been able to provide relatively cheaper, medium to long-term finance to the private sector thereby muting its impact on growth and unemployment.
The progress made since the establishment of the GSE, of which capitalisation is currently about GH¢53 billion and the recent establishment of the Ghana Commodities Exchange (GCX) are key initiatives to celebrate in our history, but more rapid progress is needed.

To grow the industry on a sustainable basis, the Government of Ghana through the Ministry of Finance (MoF) and the Securities and Exchange Commission (SEC) have developed a 10-year Capital Market Master Plan (CMMP) to shape the future of the industry.

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It is my hope that this Plan will achieve its intended purpose of providing “a deep, efficient, diversified and well-regulated capital market with a full range of products attractive to domestic and international investors”.

To position our financial market on a competitive edge, I urge all to support the implementation of the policy recommendations contained in the Capital Market Master Plan (CMMP) to achieve the vision for the industry and the financial sector as a whole. I hope this strategy will fully integrate our domestic market with the global financial system and leverage on the opportunities that the International Financial Services Centre (IFSC) would represent.

It is my hope that, this Plan will achieve its intended purpose of providing “a deep, efficient, diversified and well-regulated capital market with a full range of products attractive to domestic and international investors.

In this regard, this plan which is the first dedicated strategy to develop the capital market is therefore critical to help Government position the securities industry more firmly as a pillar for economic growth and development towards achieving the “Ghana Beyond Aid” agenda.

Our appreciation goes to the UK’s Foreign, Commonwealth and Development Office (FCDO) which financed the development of the Plan, Ghana Securities Industry Association (GSIA), Capital Market Working Group established by the MoF and the SEC, and the World Bank for their immense contribution during the development of the CMMP.

Hon Ken Ofori-Atta

Minister for Finance Republic of Ghana

02. Introductory Remarks - SEC

The Capital Market Master Plan forms part of Ghana's efforts at building a robust and sustainable long-term financial market to anchor the country's accelerated development goals of its real sector of the economy. It is aimed at charting the course and providing the blueprint to guide the development and growth trajectory of the capital market over a ten-year uninterrupted period. The four strategic pillars or goals underscoring the plan are as follows:

I) Improving diversity of investment products and liquidity of securities market. This involves building market understanding, and confidence to encourage active participation of issuers of securities, investors and other stakeholders in the market. The overarching objective under this pillar is to improve market liquidity, the lack of which has bedeviled our market since its inception.

II) Increasing the investor base. Increasing the investor base is to achieve deeper penetration of capital market products to ensure regular flow of capital to issuers of securities and the business community.

III) Strengthening infrastructure and improving market services. This pillar is to strengthen market infrastructure to improve market integrity and to make securities on the Ghanaian market easily accessible to investors at home and abroad.

IV) Improving regulation, enforcement and market confidence. The last pillar is to improve and strengthen regulation and enforcement.

The 4 Strategic Pillars Underscoring the Capital Market Master Plan

Undoubtedly, the Ghanaian Capital Market has witnessed significant progress over the past three decades, particularly, with respect to the fundraising capacity it has provided for the Ghanaian economy and economic agents including the private sector and Government of Ghana; improving macro-economic fundamentals; some of the notable achievements during this period include improvement in market infrastructure such as automation of trading and settlement platforms, dematerialization of securities and establishment of a Central Securities Depository; development of benchmarked legal and regulatory framework and market practices; and modest expansion in capital market products and services including Collective Investment Schemes, a Commodities Exchange and Warehouse Receipts system. Furthermore, the presence of a pool of well–educated and talented capital market professionals as well as strong institutions can easily translate into better and brighter prospects for transitioning our Capital Market from a frontier market into an emerging one.

The framework of this plan is designed to provide strategic direction and a clear roadmap towards fulfilling government's vision of positioning Ghana as the regional hub for financial services.

In this era of increasing globalization and international competitiveness, Ghana is touted as one of the fastest growing economies in the world. This presents great opportunities and threats that require speedy exploitation of the country's resources with a balanced and robust financial system, particularly a long-term financial market to finance industry, agriculture, the housing and mortgage sector and sustainable physical infrastructure to become more competitive within the global economy.

The framework of this plan is designed to provide strategic direction and a clear roadmap towards fulfilling government's vision of positioning Ghana as the regional hub for financial services. We believe that this plan will complement government's efforts in building a comprehensive ecosystem to make the country a preferred destination for a regionally-focused financial services hub as indicated in the 2019 National Budget Statement and Economic Policy. At the same time, we expect that the implementation of this plan will put paid the financing needs of our growing economy while also creating investment opportunities for wealth creation.

The Capital Market Master Plan is a collective effort of various stakeholders initiated by Securities and Exchange Commission, Ghana, through a process of extensive and iterative consultations involving a wide range of parties, particularly Ministry of Finance, other regulators in the financial sector, the Ghana Securities Industry Association, not forgetting the independent consultants, local and foreign experts and development partners who played active roles in the development of this document.

It is the collective input of all these stakeholders, together with the Commission's own internal work and research that formed the basis for the development of the Capital Market Master Plan. We would also like to appreciate the UK's Foreign, Commonwealth and Development Office (FCDO) and the World Bank for providing the funding for this project. It is our fervent hope that all stakeholders who have been a part of this journey - public agencies and private economic actors, regulators and market operators - would all act in concert and with resolute passion in its implementation to ensure that we realize the objectives and expected outcomes of this plan.

As we roll up our sleeves to do our best in implementing this Capital Market Master Plan, we will trust God to add His blessings.

Rev. Daniel Ogbarmey Tetteh

Director-General
Securities & Exchange Commission, Ghana

03. Introductory Remarks - CMWG

It has been a privilege to lead the development of the first 10-year Capital Market Master Plan for the Securities and Exchange Commission (SEC) and the general market. The plan is timely, following the recent financial sector clean-up with expected increase in financial activity and a rebound in the coming years.

The design process set us on a course of comprehensively analyzing and reviewing existing trends and projections in the domestic, regional and international capital market, an evidence-based and policy-driven approach to effective execution of the plan. We are confident this will strengthen our credibility in the global capital market space.

The plan is expected to position Ghana's domestic market as the preferred choice for investors and issuers by improving diversity of investment products and liquidity, increasing investor base, strengthening infrastructure, and improving regulations, enforcement and market confidence. It will leverage global practice and align infrastructure to support market efficiency while concurrently facilitating the deployment of Financial Technology by the industry.

The government has identified the capital market as central to mobilizing savings and enhancing investments to support economic development and compliment other financial initiatives such as mortgage financing, developing a robust domestic rating agency and positioning Ghana as an International Financial Services Center in the region.

I want to extend my sincere gratitude to the World Bank team, Mr. Carlos Leonardo Vicente, Ms. Swee Ee Ang, Ms. Barbara Wiafe, the Director, Financial Sector Division, Ministry of Finance Mr. Sampson Akligoh, Director-General of SEC, Rev Daniel Ogbarmey Tetteh, and Deputy Director- General, Finance, of SEC, Mr. Paul Ababio for their guidance and support, our internal and external stakeholders who have contributed immensely to the development of this plan, the Financial Sector Division team led by Ms. Marian Mensah and the outstanding team of consultants Mr. Ato Barnes, Mr. Phillip Delali Zumanu and Matthew Sullivan for spearheading the development of the plan.

Richard A Obuobi

Chairman
Capital Market Development Working Group

The plan is expected to position Ghana's domestic market as the preferred choice for investors and issuers by improving diversity of investment products and liquidity, increasing investor base, strengthening infrastructure, and improving regulations, enforcement and market confidence.

05. Executive Summary

This Capital Market Master Plan sets out a proposed path for the development of Ghana's capital market over the next ten years (2020–2029). This is not the first attempt at long-term planning in this area. Indeed, this Plan joins with and supports prior efforts, by both the private sector and the government. It however represents the first long-term plan dedicated to the capital market.

The Plan is built around a vision discussed and agreed with key stakeholders in the market.

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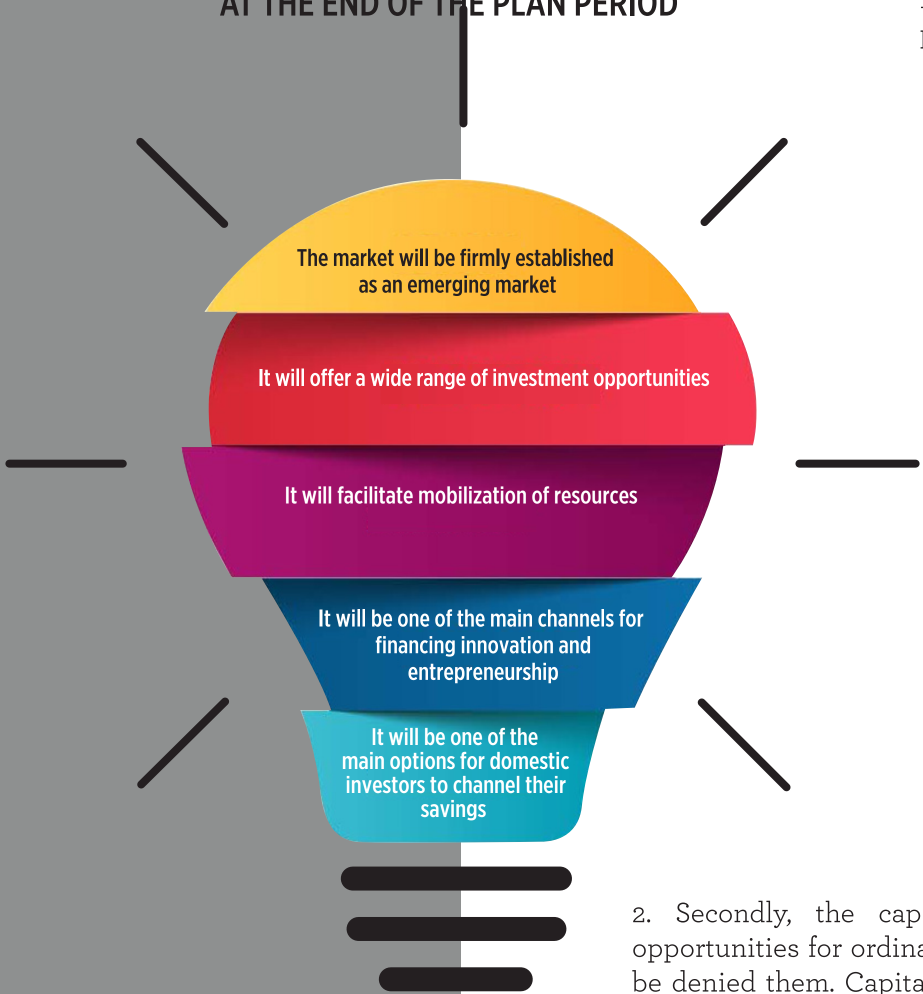
At the end of the plan period, it is anticipated that the capital market in Ghana will be demonstrably successful and well-functioning:

1. The market will be firmly established as an emerging market, with a commitment of all participants to further improve and promote the implementation of international standards of regulation and of infrastructure;
2. It will offer a wide range of investment opportunities, including different sectors and different types of instruments; key financial instruments will be liquid; prices will be well-formed and transparent;
3. It will facilitate mobilization of resources towards promising business opportunities, thereby creating jobs, boosting economic growth, and supporting the financial stability of the country;
4. It will be one of the main channels for financing innovation and entrepreneurship in the country; and
5. It will be one of the main options for domestic investors to channel their savings while attracting significant inflows of regional and overseas investment funds.

HOW GHANA'S CAPITAL MARKET WILL LOOK AT THE END OF THE PLAN PERIOD



NEED FOR CAPITAL MARKET DEVELOPMENT

The need for a plan to develop the capital market in Ghana is rooted in three main public policy objectives.

1. Firstly, to fund Ghana's development priorities, Government requires efficient public borrowing through a deep capital market and robust growth in the private sector. These factors also underpin economic growth. Numerous studies conducted on developed markets show that broader and deeper capital markets will likely lead to better investment, more growth, increased employment and higher standards of living. Capital markets are better suited for funding long term projects and raising equity capital for building businesses and creating wealth.

2. Secondly, the capital markets create economic opportunities for ordinary citizens that would otherwise be denied them. Capital markets provide the chance to participate in a wide range of investment opportunities for retail and institutional investors through their participation in collective investment schemes, pension funds and listed securities. This allows for wealth preservation and ease of transfer of wealth.

3. Thirdly, capital markets serve to manage systemic risk through provision of market information and enabling investors to choose asset classes based on their risk preferences. They are an antidote to bank-centric structures where most credit risks rest within the banking system itself and exposes the government to fiscal risk in the case of failures, as experienced in Ghana recently. The policy objective is to minimize systemic risk from diversification of funding sources through the capital market.

CAPITAL MARKET IMPACT AND LINKAGES WITH GHANA'S DEVELOPMENT AGENDA

The development of the capital market will provide relatively cheaper finance and investment to businesses in the real sector which will result in increase in production and services making businesses more productive. This will have a ripple effect on the creation of more jobs, higher standards of living, increase in savings and investments and poverty reduction. These effects reflect the main goals of Ghana's development aspirations as enshrined in the following documents:

1. Medium-Term National Development Policy Framework (2018 – 2021)
2. Ghana Beyond Aid Strategy Document
3. Ghana: Voluntary National Review on the implementation of the 2030 Agenda for sustainable Development, June, 2019

STATE OF THE CAPITAL MARKET IN GHANA

The capital market in Ghana has made significant strides in its development over the past two decades but it is still small relative to other emerging markets. It is dominated by government domestic debt with total value outstanding at GH¢115 billion as at December 2019 representing 33% of GDP[1] from just GH¢ 19.4 billion in 2015 (11% of GDP).

Market Capitalisation to GDP (GH¢ Billions)
Total market capitalisation has however remained relatively flat over the last 5 years. Unfortunately, total market capitalisation to GDP took a nosedive from ~32% in 2015 to ~16% in 2019. However, domestic market capitalisation to GDP has seen a marginal increase over the last 5 years from 6.2% in 2015 to 6.5% in 2019[2]. In terms of values, total market capitalisation remained relatively flat from GH¢57.1 billion in 2015 to GH¢ 56.8 billion in 2019.

Domestic market capitalisation however witnessed a significant increase from just GH¢ 11.2 billion in 2015 to GH¢ 22.7 billion in 2019 representing a healthy CAGR of 19.3%.

GH¢57.1 billion	GH¢ 56.8 billion	GH¢ 11.2 billion	GH¢ 22.7 billion
Total Market Capitalisation in 2015	Total Market Capitalisation in 2019	Domestic Market Capitalisation in 2015	Domestic Market Capitalisation in 2019

[1] GSE, SEC, MoF | [2] GSE, SEC, MoF

Listed Companies
There were 38 equity listings on the Ghana Stock Exchange with market capitalisation of GH¢ 56.8 billion (25% of GDP) as at 31 Dec 2019.

Additional listings have had a limited impact on overall number of listed entities over the past 5 years as a result of delistings. There have been 3 IPOs on the main market since 2016 one of which was ADB, with more than 95% of the shares currently held by the Central Bank. The period however witnessed the largest equity capital raised on the Ghana Stock Exchange with the listing of MTN Ghana, which raised GH¢ 1.1 billion in 2018. Overall, GH¢ 2.8 billion was raised through 6 IPOs (GH¢ 1.5 billion) and nine rights issues (GH¢ 1.3 billion) within the last 5 years.

The launch, in 2013, of the Ghana Alternative Stock market has seen the listing of 5 equities as at the end of 2019.

Level of liquidity
The level of liquidity on the equities market compared with the total market capitalisation has been very low over the years. The past two years have however seen an improvement in market turnover from under 1% of market capitalisation per annum, to 1.1% in 2018 and 2019. This therefore requires greater attention and resources to drive liquidity to the range of 3 – 5% within the next 10 years. The total value traded on the equities market however saw healthy CAGR of 17.1% from GH¢ 151.3 million in 2010 to GH¢ 624.2 million in 2019.

Secondary trading activities on the debt market front have however seen a tremendous uptick in both number of volumes and values of transactions. From just total trade values of GH¢ 9.6 billion in 2015, the values shot up to GH¢ 55.7 billion in 2019 representing a 55% CAGR over the period.

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Number of equity listings on the Ghana Stock Exchange

GH¢ 2.8 billion
Total equity capital raised through IPOs and Rights Issues

GH¢ 9.6 billion
Total trading activities on the debt market in 2015

GH¢ 55.7 billion
Total trading activities on the debt market in 2019

Asset Management Industry
The Asset Management industry in Ghana has experienced significant growth especially over the past five years. The funds under management excluding pension funds recorded a slight dip from GH¢ 11.1 billion in December 2015 to GH¢ 10.4 billion in December 2019 representing a negative CAGR of 2.3%. The reduction (negative growth) was due to the clean-up exercise which led to revocation of the licenses of 53 Fund Managers some of whom had ceased operations and had significantly impaired portfolios.

Worthy of mention is the rapid growth of the collective investment schemes which increased from just GH¢ 0.7 billion in 2015 to GH¢ 3.8 billion in 2019 representing a CAGR of 51% over the 5-year period in question.

Private pension funds under management, that is the Tier 2 and Tier 3, being managed by SEC-licensed Fund Managers have increased significantly from GH¢ 2.6 billion in 2015 to GH¢17.4 billion.

The growth of pension funds and life insurance industry are areas with the potential to expand the investor base for the capital market. Both the pensions and life insurance industry are growing at faster rates than the real sector of the economy.

Several infrastructure developments have taken place which have improved trade settlements, transparency and market participants' access to data. The Central Securities Depository maintains the central register of dematerialized securities and performs clearance and settlement for trades conducted on the Ghana Stock Exchange, the Ghana Fixed Income Market and the over-the-counter market. Trading in commodities has also received a boost with the establishment of the Ghana Commodity Exchange in 2018 trading white and yellow maize, soya, sorghum, sesame and rice.

However, despite these advances and all the potential benefits of future growth, the challenges faced by Ghana in the development of an effective capital market remain significant. They include a wide range of issues that need a coordinated response to be resolved. Key among these are that:

i. The financial market as a whole is riddled with a crisis of confidence given the failures of some licenced financial institutions due to toxic assets and misconduct;

ii. The investor base is shallow and needs to be deepened;

iii. Interest rates on borrowings remain elevated despite lower inflation, sustained economic stability and growth, and greater political certainty;

iv. The government yield curve has improved significantly with greater visibility on the issuance calendar and gradual formation of benchmarks. This needs to be sustained in order to have a reliable reference for medium to longer-term risk free rates;

v. Financial literacy is generally low and the capacity of intermediaries needs improvement; and

vi. The Securities and Exchange Commission also faces significant obstacles in terms of its human and financial resources and its powers to act to prevent abuses.

THE CAPITAL MARKET MASTER PLAN

The vision for the plan: “A deep, efficient, diversified and well-regulated capital market with a full range of products attractive to domestic and international investors” has been translated into a set of four focused strategic pillars:

(i) Pillar 1: Improving diversity of investment products and liquidity of securities market

(ii) Pillar 2: Increasing the investor base

(iii) Pillar 3: Strengthening infrastructure and improving market services

(iv) Pillar 4: Improving regulation, enforcement and market confidence.

Each of these pillars is further broken down into a series of specific initiatives as follows:

Pillar 1: Improving the diversity of investment products and liquidity of securities market includes revision of the market models used and the introduction of market makers with securities lending and short selling to support them; promotion of real estate investment trusts (REITS), simplification of collective investment schemes (CIS); strengthening the repo market with introduction of international standard agreements and supporting frameworks, a comprehensive review of taxation issues and incentives in the capital market; opening up retail access to both the corporate and government bond markets and equities, and improvements to the venture capital framework. This pillar also includes the setting up of a special forum for interaction between Fintech providers and the players in the capital market.

Pillar 2: Increasing the investor base includes the promotion of the simplified CIS to the retail investors; establishing a vibrant shareholder association, investment clubs, the deepening of relationship with pension fund trustees; the creation of digital platforms for retail investors leveraging on the digitization of the banking sector; a refreshing of the investment guidelines for funds emphasising the need to look for diversification, and issuer roadshows in key overseas investor cities.

Pillar 3: Strengthening infrastructure and improving market services includes the demutualization of the GSE group; a review of the processes at CSD for handling delayed trades so that pre-validation can be lifted; and putting in place continuous professional education program for intermediaries. Also, complete phasing out of dividend warrants to ensure shareholders receive dividends directly into their bank accounts. Getting all issuers to establish investor relations department.

Pillar 4: Improving regulation, enforcement and market confidence includes improving SEC resources and powers to take early and decisive enforcement action, both of which are currently limited; implementing more detailed conduct of business regulation; establishing an enhanced resolution framework within Act 929 that extends beyond broker-dealers; strengthening the asset management industry after the full resolution of toxic assets of affected Fund Managers; training of trustees and custodians of collective investment schemes as well as banks who handle trust accounts; an overhaul of the licensing regime particularly the licences that involve handling client assets and money; implementation of the newly launched AML-CFT Guidelines; implementing risk-based supervision so as to enable the regulator to better direct its resources; and the rolling out of a regulatory sandbox to facilitate innovation.

Figure 1 below highlights the game-changing flagship initiatives to be implemented under the four pillars of the Master Plan.

FIGURE 1: FLAGSHIP INITIATIVES OF MASTER PLAN

Demutualization of GSE	Promotion of REITs & CIS	Digital Transformation of capital market (mobile apps)	Review of Investment Policy for Pensions Funds / schemes
Introduction of Additional Commodities on GCX	Issuance of Municipal, Infrastructure and Green Bonds	Introduction of Market Makers	Development of a Currency Trading Platform
Securities Lending and Borrowing	Training of Service Providers especially custodians, trustees and other banks	Robust investor education	Improve information flow to the capital market by issuers

IMPLEMENTATION FRAMEWORK

A clear and effective framework of governance is critical to the successful implementation of the Master Plan. The proposed governance structure includes a Champion, who will be the public leader of the Master Plan, a Steering Committee to direct and oversee all aspects of the development and four Working Groups to oversee the implementation of the initiatives. The four Groups envisaged under this Plan are as follows:

1. Markets and Products,
2. Market Infrastructure,
3. Legal and Regulatory, and
4. Education and Research.

The Steering Committee will be closely supported by a Secretariat led by a senior person with market and project management experience, which will organize the Working Group meetings, monitor progress and costs, and report all issues that cannot easily be resolved to the Steering Committee.

The Secretariat will be part of the Securities and Exchange Commission and resourced accordingly. The industry will be consulted regularly through an Industry Review Committee, which will comprise representatives of all significant sectors within the market intermediaries and users.

A phased approach is envisaged for the implementation of the Capital Market Master Plan. The following three phases have been identified:

PHASE 1	Making the Market Attractive (2020 – 2022): Early initiatives that do not have significant dependencies on others and for which the market will be ready relatively quickly. Several of the initiatives are currently ongoing, and include essential actions to increase market confidence, such as resolution of toxic assets of Fund Managers, enhancing conduct regulations and licensing requirements, broad investor education programs, the demutualization of the GSE, opening up retail access to government bonds and the introduction of market makers.
PHASE 2	Increasing Competitiveness of the Market (2023 – 2025): This phase will focus on deepening the quality and breadth of products, services and facilities. It includes the development of a readiness program for state owned enterprises; the delivery of taxation changes to promote issuance and investment; the introduction of obligatory continous professional development for securities intermediaries; and the creation of an investor protection fund.
PHASE 3	Introducing More Sophisticated Products and Consolidating Gains Made (2025 – 2029): This phase will involve the deepening of earlier initiatives and the growth of more complex products and services, that are to some extent dependent on the successful implementation of earlier initiatives, and on the consolidation of matters such as price formation, education and awareness and the understanding of risks. These include margin trading, opening up short selling to all participants.

06. Introduction

BACKGROUND

1. Ghana's Capital Market began to develop with the establishment of the Ghana Stock Exchange in 1990 with associated institutions such as broker-dealers, investment advisors and Fund Managers. Over the past three decades, the market has gone through several extensive reforms which have helped in the rapid development of the market. These reforms served as part of the key priority goals of the Government of Ghana enshrined in its developmental agenda to diversify and modernize the economy to support economic growth, improve the living standards of its citizens and reduce poverty. Government's strategy to achieve this agenda is to develop a strong financial system which includes a vibrant capital market driven by market-based principles that effectively mobilizes and allocates resources needed to achieve sustainable development. To this end, two Financial Sector Strategic Plans (FINSSP I & II) were implemented in consultation with key stakeholders to serve as government's blueprint for transforming the financial sector especially the capital market for the period 2003 – 2016.

2. Impact assessment of FINSSP I & II conducted showed that about 80 percent of the recommendations were implemented, thus, yielding positive results. Initial interviews of market participants during the scoping phase of the Capital Market Master Plan Project indicated that a lot more remained to be done to deepen and broaden the capital market. Trading volumes and listings have not grown over the past 5 years even though the economy has grown significantly during this period. Even though total market capitalisation has remained relatively flat over the last 5 years from GH¢ 57.1 billion in 2015 to GH¢ to GH¢ 56.8 billion in 2019, domestic capitalisation has more than doubled from GH¢ 11.2 billion in 2015 to GH¢ 22.7 billion in 2019.

GHANA STOCK EXCHANGE

> *Ghana's Capital Market began to develop with the establishment of the Ghana Stock Exchange in 1990 with associated institutions such as broker-dealers, investment advisors and Fund Managers.*

Notwithstanding the recent growth in market capitalisation especially on the domestic front, equity trading has remained stagnant over the last 10 years with trading volumes for 2010 at 331 million and 2019 at 324 million as shown in Figure 5. However, the Ghana Fixed Income Market has been a source of growth in trading and listing activity. At the end of 2019, the number of outstanding bonds were GH¢115 billion with trading values of GH¢ 55.7 billion. Trades were dominated by government securities and the ESLA bond.

Even though total market capitalisation has remained relatively flat over the last 5 years from GH¢ 57.1 billion in 2015 to GH¢ to GH¢ 56.8 billion in 2019, domestic capitalisation has more than doubled from GH¢ 11.2 billion in 2015 to GH¢ 22.7 billion in 2019.

3. The Securities and Exchange Commission (SEC) and the Ministry of Finance (MoF) set a plan in motion to holistically tackle the challenges of the Capital Market with the development of a Capital Market Master Plan (CMMP). This initiative also has the support of the Government of Ghana as it aligns with delivering on Ghana's national priorities of increasing manufacturing and the agricultural value chain, strengthening institutions and the rule of law, strengthening infrastructure and technology adoption to enhance business efficiency and enhancement of public services delivery. The Plan would also help in achieving Ghana's Sustainable Development Goals 2, 4, 5, 8, 9, 11, 13 and 16 as illustrated in Figure 3. The CMMP is designed to identify, prioritise, drive and monitor initiatives and important development issues affecting the capital market in Ghana. The MoF and SEC therefore constituted a diverse industry working group with a clear mandate to oversee the development of the CMMP.

4. At the request of the MoF and the SEC, the World Bank and DFID agreed to support the development of CMMP. The support entailed the provision of local and international experts, sharing of experiences on the importance of sequencing and prioritization of actions to ensure sustainability, and overall drafting of the CMMP. The SEC has been the direct beneficiary of the support provided and has led the development of the CMMP.

5. An initial scoping study was undertaken to identify the issues affecting the development of the capital market; and to provide evidence-based gaps in current development framework. After the scoping study, a capital market blueprint report was developed and presented to stakeholders at a workshop for their input. The workshop served as a platform to foster and guide a discussion between all stakeholders on the

creation of an appropriate development plan for Ghana's Capital Market. The Securities and Exchange Commission is aware that to be successful, a development plan needs to harness the ideas, contributions and commitment of all stakeholders. After the workshop, stakeholders' concerns were collated and incorporated in refining the blueprint and developing it into the Capital Market Master Plan.

6. This Master Plan therefore, is a document that defines the strategy to accelerate the development of Ghana's Capital Market over the next ten years (2020 – 2029) and builds on past and current efforts by both the private sector and the government.

7. The need for a plan to develop the capital market in Ghana is rooted in three main public policy objectives:

a

a. Firstly, to fund Ghana's development priorities, Government requires efficient public borrowing through a deep capital market and robust growth in the private sector. These factors also underpin economic growth. Numerous studies conducted on developed markets shows that broader and deeper capital markets will likely lead to better investment, more growth, increased employment and higher standards of living. Capital markets are better suited for funding long-term projects and raising equity capital for building businesses and creating wealth. For a private sector-led economy, access to capital is crucial for the growth of businesses, thus a robust capital market that invests in debt and equity of issuers supports long-term economic growth as jobs are created from these businesses.

b

b. Second, capital markets create economic opportunities for the ordinary citizen that would be otherwise unavailable to him/her. Capital markets provide the chance to participate in a wide range of investment opportunities by sharing risk and the required minimum investment to access those opportunities. For instance, mutual funds allow retail investors to gain exposure to securities that have high minimum subscription levels and would ordinarily be out of the reach of the average retail investor.

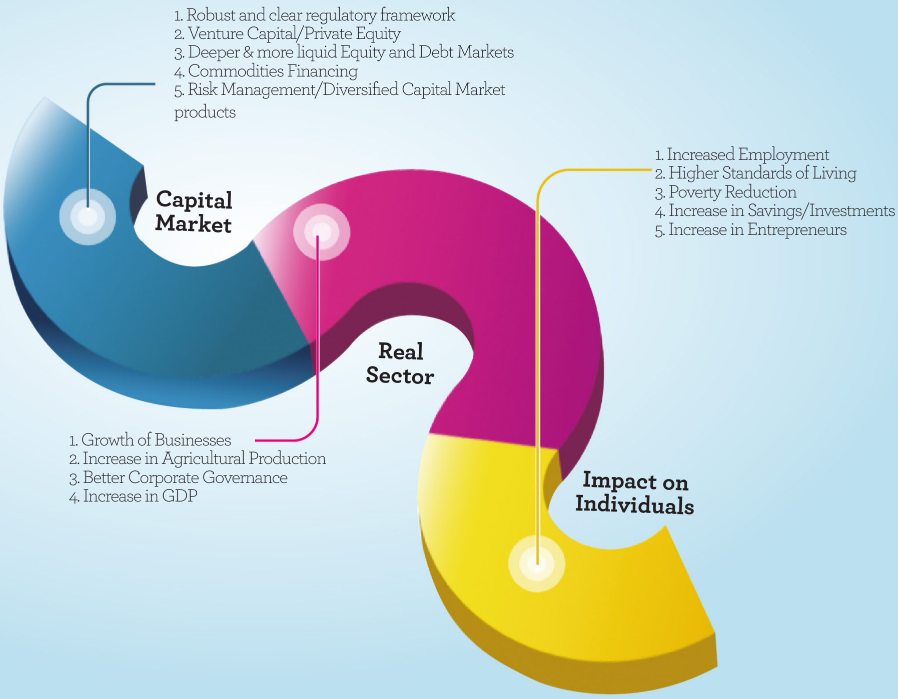
c

c. Third, capital markets serve to manage systemic risk. They are an antidote to bank-centric structures where the majority of credit risk rests within the banking system itself and exposes the government to high levels of fiscal risk in the case of bank failures, as experienced in Ghana recently. The recently established Financial Stability Council will play an integral role in addressing systemic risk and with a membership incorporating all the financial sector regulators, will recommend solutions that use the capital markets to address regulatory issues, identification of risks, diversification, and preparedness for crisis.

CAPITAL MARKET'S IMPACT ON THE REAL SECTOR & INDIVIDUALS

8. Capital markets play a vital role in channeling investment into the economy to help drive growth, prosperity, creation of employment opportunities and ultimately improvement on people's everyday lives. The development of the capital market will help to lower the domestic cost of capital, resulting in relatively cheaper finance and investment to businesses in the real sector thereby driving an increase in production and services, making businesses more profitable. This will have a ripple effect on the creation of jobs, higher standard of living, increase in savings and investments and finally, poverty reduction (Figure 2 below).

FIGURE 2: CAPITAL MARKET IMPACT ON THE REAL SECTOR AND INDIVIDUALS



LINKAGE BETWEEN GHANA'S DEVELOPMENT AGENDA AND THE CAPITAL MARKET MASTER PLAN

The implementation of the Capital Market Master Plan will result in growth of businesses and increased production which will result in employment, high standard of living and eventually, poverty reduction. The development of the Capital Market fully aligns therefore with Ghana's development aspirations as enshrined in the following documents:

1

Ghana Beyond Aid Strategy Document[3]:
This national transformation document emphasizes increased manufacturing and high value services that will result in providing jobs and prosperity to all Ghanaians. The focus on private sector as an engine of growth will also enhance Government's tax base, reducing the reliance on foreign aid for critical government expenditures.

2

Medium-Term National Development Policy Framework (2018 – 2021)[4]:
This policy intervention is aimed at restoring the economy, transforming agriculture and industry, strengthening social protection, revamping economic and social infrastructure and reforming public services delivery. In the end, the intervention is expected to create jobs and increased productivity resulting in poverty reduction.

3

Ghana: Voluntary National Review on the Implementation of the 2030 Agenda for Sustainable Development, June 2019[5]:
The document is based on priorities mirroring the four pillars of sustainable development in the Ghanaian context – economic, social, environmental and institutional. It provides key actions needed in implementing Sustainable Development Goals (SDGs) with emphasis on job creation and growth of businesses.

[3] https://thinknovate.org/wp-content/uploads/2019/05/Ghana-Beyond-Aid-Charter-and-Strategy-Document.pdf | [5] https://www.mofep.gov.gh/sites/default/files/news/Ghanapercent27s-SDG-Budget-Baseline-Report-Aug-09-18.pdf
[4] https://s3-us-west-2.amazonaws.com/new-ndpc-static1/CACHES/PUBLICATIONS/2018/08/23/Medium-term+Policy+Framework-Final+June+2018.pdf

FIGURE 3: LINKAGE OF THE MASTER PLAN TO NATIONAL DEVELOPMENT STRATEGY

Capital Market Master Plan		National Priorities	Sustainable Dvt. Goals
PILLAR 1	Creating diversity of investment products and liquidity of securities market	Increase Manufacturing and Agricultural Value Chain	13 CLIMATE ACTION; 2 ZERO HUNGER
PILLAR 2	Increasing the investor base	Strengthen Institutions and the Rule of Law	5 GENDER EQUALITY; 4 QUALITY EDUCATION
PILLAR 3	Strengthening infrastructure and improving market services	Strengthen Infrastructure and Technology adoption to enhance business efficiency	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE; 8 DECENT WORK AND ECONOMIC GROWTH
PILLAR 4	Improving regulation, enforcement and market confidence	Enhance Public Services Delivery	16 PEACE, JUSTICE AND STRONG INSTITUTIONS; 11 SUSTAINABLE CITIES AND COMMUNITIES

OVERVIEW OF GHANA'S CAPITAL MARKET

9. The Capital Market in Ghana has seen significant advances in its development over the past decade, but is still relatively small compared to other emerging markets. The market is dominated by government domestic debt with total value outstanding at GH¢115 billion, representing about 33 percent of GDP as at the end of 2019. The establishment of the Ghana Fixed Income Market has helped to improve liquidity on the fixed income market, though liquidity remains a challenge.

Corporate bonds, with total outstanding amount as at the end of 2019 being GH¢ 7.97 billion, are growing in representation, but currently dominated by non-bank financial institutions and a government sponsored SPV, ESLA Plc. ESLA alone has issued GH¢ 6 billion representing 75 percent of the outstanding issuance as at Dec 2019. Equity market development has been painstakingly slow. The market has attracted few equity listings and many listed equities experience limited trading. There were 38 equity listings on the Ghana Stock Exchange's main board with market capitalisation at 25 percent of GDP as at 31 Dec 2019.

10. Institutional investors such as pension funds, collective investment schemes and insurance companies are growing but have few investment options in capital market products since current tradable options are limited to government debt, a few corporate bonds and a few equity listings. Assets under management at December 2019 was GH¢26.2 billion, representing 6.8% of GDP. This represents a significant growth from December 2015 AUM of GH¢13.7 billion. The growth has been driven by the reforms in the pension sector, which ceded a portion of pension assets to be managed by Fund Managers (Tier 2 and Tier 3 contributions) and administered by Pension Trustees. The Tier 2 and Tier 3 assets increased from GH¢ 2.6 billion in 2015 to GH¢ 17.4 billion at the end of Dec 2019.

FIGURE 4: LISTED GOVERNMENT OF GHANA DEBT TO GDP (GH¢ BILLIONS)

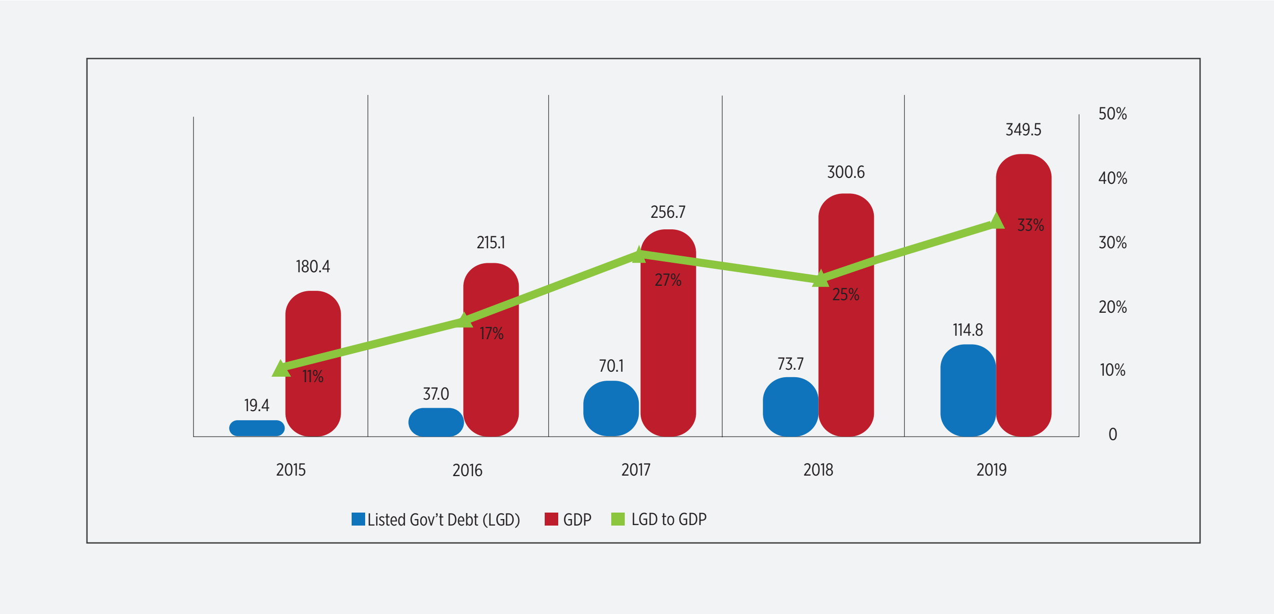


FIGURE 5: MARKET CAPITALISATION TO GDP (GH¢ BILLIONS)

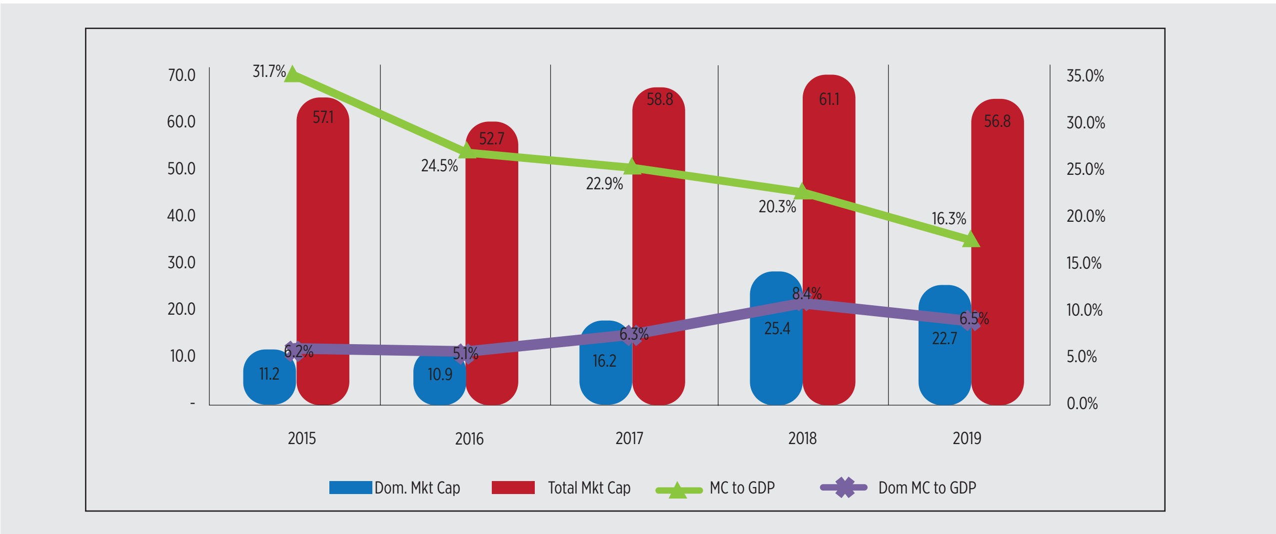
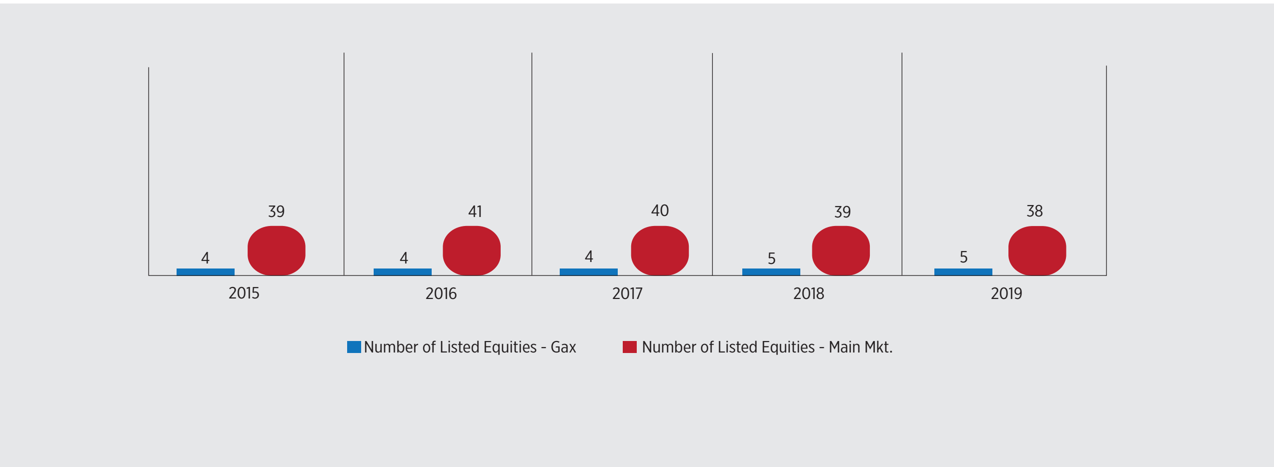


FIGURE 6: LISTED EQUITIES



Source: GSE, SEC, MoF

FIGURE 7: TRADING VALUES TO MARKET CAPITALISATION (GH¢ BILLIONS)

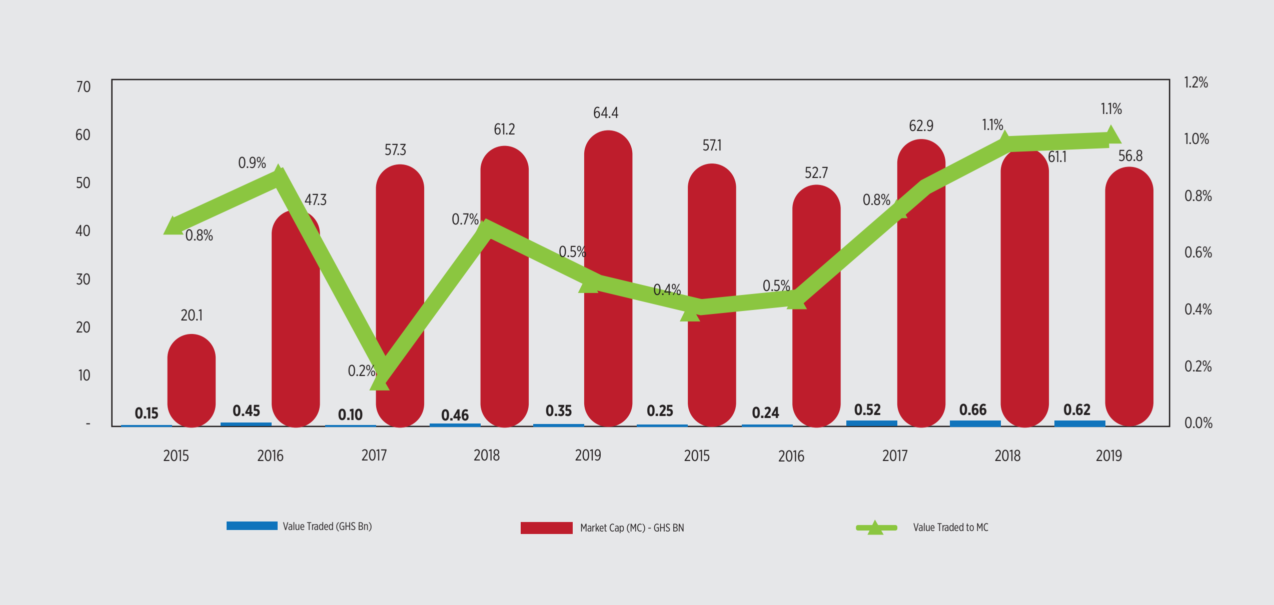
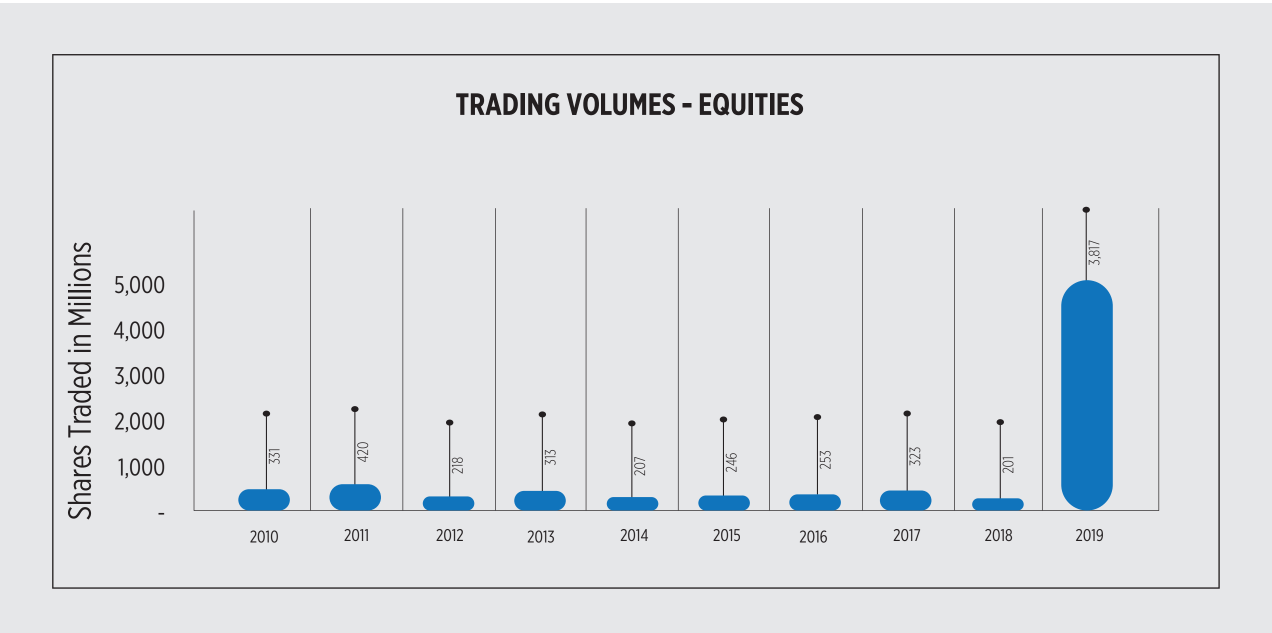


FIGURE 8: HISTORICAL ANNUAL TRADING VOLUMES



Source: GSE, SEC

FIGURE 9: ASSETS UNDER MANAGEMENT (GH¢ BILLIONS)

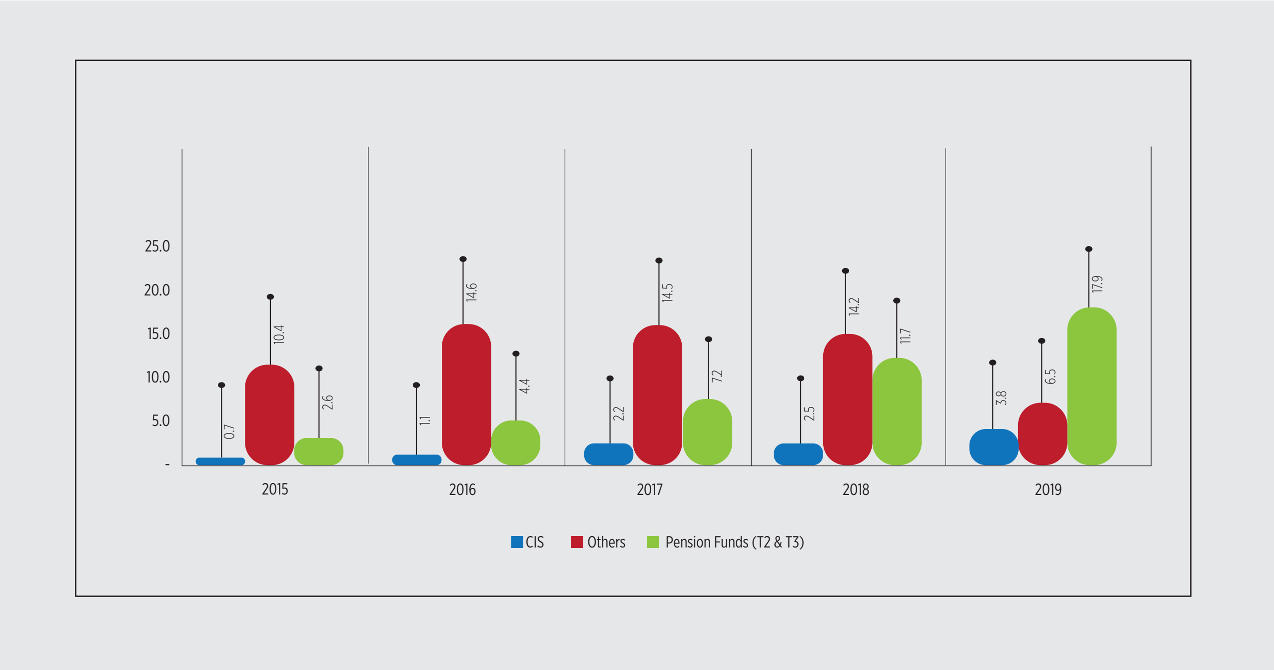
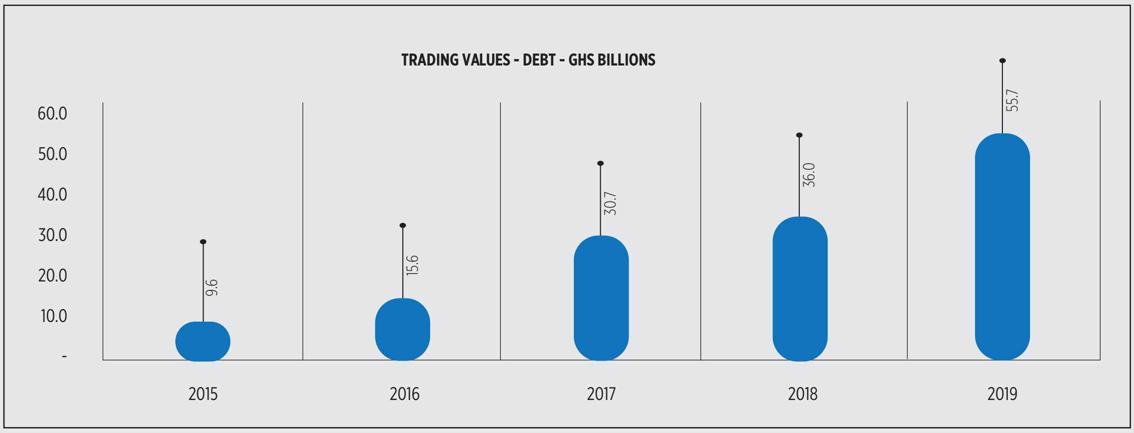


FIGURE 10: HISTORICAL ANNUAL TRADING VOLUMES – DEBT MARKET (NUMBER)

Source: GSE, SEC, NPRA

FIGURE 11: HISTORICAL ANNUAL TRADING VALUES - DEBT MARKET



MACROECONOMIC AND POLICY ENVIRONMENT

11. The period 2012 to 2016 saw Ghana pass through difficult macroeconomic challenges that resulted in stalled economic growth, with GDP growth averaging 3.8% during the last three years of the period. That period was also characterized by large budget deficits, pronounced inflation (18.7% in 2016), higher average lending rates (32.1% in 2016) and the steep depreciation of the local currency. Nevertheless, macroeconomic performance improved significantly under the IMF Extended Credit Facility (ECF) covering the period 2015 to April 2, 2019. Growth in both 2017 and 2018 was robust, buoyed by increased oil production with Ghana being touted as one of the fastest growing economies in Africa in 2018. Inflation has declined from 17.5% in 2016 to 9.4% in 2018 and reduced further to 7.9% in Dec 2019.

12. The Bank of Ghana (BoG) resolved nine insolvent banks over a period of 18 months, in line with its commitment to clean up the banking sector. The Bank of Ghana also increased the capital requirements for banks from GH¢ 120 million to GH¢ 400 million in order to strengthen the sector. As at the end of first quarter 2020, a total amount of GH¢13.6 billion (3.5% of GDP) had been spent on the resolution of failed banks, Specialised Deposit-taking Institutions (SDIs), Micro Finance Institutions (MFIs), the establishment of the Consolidated Bank Ghana Limited (CBG), as well as the capitalisation of the Ghana Amalgamated Trust (GAT). Additionally, with the President's directives to fully pay all depositors whose funds were locked up with the failed SDIs and MFIs, an amount of GH¢5 billion was allocated. This brings the total expenditure on financial sector interventions as of June 2020 to GH¢18.6 billion (4.8% of GDP).

13. The Securities and Exchange Commission (SEC) also embarked on a series of reforms in 2018 and 2019 which culminated with the sanitization of the asset management industry, which entailed the revocation of the licenses of 50 Fund Managers in November 2019. The assets under management of the revoked Fund Managers at the time of revocation was GH¢ 8.1 billion. The liquidation of these firms and addressing investor compensation was ongoing at the time of preparation of this document. Government has also committed an amount of GH¢3.1 billion (0.78% of GDP) towards supporting investors in failed asset management companies regulated by the SEC. This would bring the overall cumulative total Government expenditure for the failed financial institutions to GH¢21.62 billion.

Structural reforms to strengthen public financial

3.8%
Average GDP growth from 2012 to 2016

18.7%
Average inflation from 2012 to 2016

32.1%
Average lending rate from 2012 to 2016

50
Number of Fund Managers whose licenses were revoked in November 2019

1. The period 2012 to 2016 saw Ghana pass through difficult macroeconomic challenges that resulted in stalled economic growth.

2. Macroeconomic performance improved significantly under the IMF Extended Credit Facility (ECF) covering the period 2015 to April 2, 2019.

3. The Bank of Ghana (BoG) resolved nine insolvent banks over a period of 18 months.

4. The Securities and Exchange Commission (SEC) also embarked on a series of reforms in 2018 and 2019 which culminated with the sanitization of the asset management industry.

management and oversight of the state-owned enterprises continue to be implemented. Robust growth is expected to be sustained in 2019 into 2020, propped up by sturdy private consumption and healthy investment activity growth. Strong demand for Ghana's key commodity exports and increased productivity in the agricultural sector contributed to real GDP growth of 7.9% in 2019. The outlook for growth in 2020 has been clouded by the impact of the COVID-19 pandemic. However, the focus on digitization of government operations, improved use of technology by the private sector and buffers established in the first quarter of 2020 have reduced the net impact of the pandemic on Ghana's economic outlook. It is expected that the economy will grow at 0.9% in 2020 (revised downward from pre-pandemic outlook of 6.8 percent), and 4.7% in 2021.

14. However, there remain significant challenges. These include a continued dependence on primary commodity exports and a need for fiscal discipline in the context of elevated government financial needs. Foreign exchange reserves fell in 2018 but climbed in 2019, underlining Ghana's exposure to shifting investor sentiment and external shocks. The stock of Net International Reserves (NIR) increased to US$5.19 billion at end-December 2019, from US$3.85 billion at end-December 2018, indicating a build-up of US$1.34 billion. Gross International Reserves (GIR) also increased by US$1.39 billion to US$8.42 billion at end December 2019, sufficient to cover 4.0 months of imports compared to 3.6 months at end-December 2018. Gross international reserves are expected to cover 4 months of import for 2020 and 2021, partly due to the successful and historic US$ 3 billion 3-tranche Eurobond issued in February 2020 which was 5 times oversubscribed.

15. The government's economic and political philosophy has in recent years converged on a common set of principles which include emphasis on the private sector as the main engine of growth of the economy and respect for the rule of law. This focus has helped the capital market in ensuring continuity in its development. If a master plan for the development of capital markets is to be successful, it will be important that the government maintains the focus and discipline that has underpinned recent stability and will enable an attractive economy and investment environment.

MONEY MARKET AND GOVERNMENT DEBT

16. The money market is the market in which short-term borrowing and lending is accessed. It includes lending between financial institutions, particularly banks, and the issuance of short-term commercial paper by large corporations. Money market instruments are therefore debt instruments and include the interbank market borrowings, Treasury bills, BoG bills, repurchase agreements and commercial paper. The money market is dominated by government securities and it plays a critical role in the execution of BoG monetary policy through its open market operations. As at the end of December 2019, the total outstanding listed money market instruments (91-day – 182-day maturity) was GH¢27.5 billion compared with GH¢15.5 billion in 2018 representing a 77% growth rate.

17. One especially key component of the money market is interbank secured lending using repurchase agreements (repo transactions). These repo transactions are discussed below in more detail in the section on interbank transactions.

The Interbank and Treasury bill markets are active in Ghana. Money market interest rates have moderated in the past 3 years, (2017 – 2019) reflecting diminishing inflation expectations and policy rate easing. This part of the money market dominates the financial markets in Ghana, owing to

the volatility of the macroeconomic environment which makes short-term financial instruments more attractive.

19. The private sector money market instruments is dominated by fixed deposits and commercial paper which has increased in importance over the past 5 years, with Fund Managers, mutual funds and pensions being the main demand participants. Fund Managers had invested GH¢ 7.1 billion in money market instruments as at December 2019. They are becoming increasingly important players in the money markets.

CENTRAL BANK OPERATIONS WITH BANKS

20. Commercial banks borrow from the Bank of Ghana to meet liquidity challenges when their cash on hand is low before the close of the business day. Borrowing from the Central Bank is convenient because it is always available, and the lending process includes no negotiation or extensive documentation. The downside, however, is the interest rate or the Policy rate at which the Central Bank lends to banks, is higher than borrowing from another bank. The policy rate has fallen steadily over the past three years. As at the end of 2017, the policy rate was at 20% but it had fallen to 17% as at the end of the year 2018 and further declined to 16% by December 2019.

Fund Managers had invested GH¢ 7.1 billion in money market instruments as at December 2019. They are becoming increasingly important players in the money markets.

21. The BoG also manages the supply of money through the issuance or retirement of BoG bills in the interbank market.

INTERBANK MONEY MARKET

22. Ghana has a vibrant interbank market where banks lend funds to each other. The total value of trades increased from GH¢ 80.9 billion in 2018 to GH¢ 119.5 billion at the end of December 2019. Maturities are short, usually overnight. The number of all repo transactions settled by CSD increased by 9.8% from 5,427 in 2018 to 5,957 in 2019. The settlement value of all the repo transactions also increased by 25.8% to GH¢ 201.6 billion in 2019 from GH¢ 160.2 billion in 201820. The interbank rate has fallen from 23.9 percent at the end of 2015 to 15.2% in 2019 reflecting diminishing inflation expectations and policy rate easing.

23. Banks deal directly with each other in the interbank market and this has improved banks' feel for the state of the market and led to closer relationships between market participants. Transactions are done by a pledge to the lender with Central Securities Depository (CSD) blocking the securities pledged while the Ghana Interbank Payment and Settlement System (GhIPSS) which is Ghana's Real Time Gross Settlement (RTGS) system is used to make payment. This has worked adequately to date but when there is a default, the pledged securities cannot be transferred to the lender immediately. The lender must ask the CSD to intervene and to transfer the securities to them, for which the CSD requires letters of indemnity. The limitations therefore of the interbank market is the lack of documented right to the security held and there is no carve out from insolvency law for this approach. In addition, there is no integrated legal documentation.

24. A more usual structure for these transactions, which addresses these and other problems, is the repo transaction mentioned earlier. A repo transaction is effectively a temporary transfer of cash and collateral between the two institutions under an agreement that is specially constructed so as to ensure that beneficial ownership of the collateral remains with the original holder and that the bankruptcy of either party will not prevent the transaction from being closed down with no damage to the interests of the other party. These agreements also protect the original holder from accounting and taxation problems that arise from collateral transfers. The newly introduced master repo agreement seeks to address the shortfalls in the current framework. The Corporate Insolvency and Restructuring Act 2020 (Act 1015) has also been prepared to enable effective implementation of derivative transactions in the event of default. The tax regime may need to be reviewed to ensure that it does not create problems for repo transactions around interest payments or additional transaction costs.

25. The localization and adoption of the Global Master Repo Agreement (GMRA) by Bank of Ghana in 2019 should increase liquidity and pricing transparency in money markets, thereby helping to properly price long term risk and support transmission of monetary policy decisions. The GMRA also provides a structure for securities lending between financial institutions and professional investors. Securities lending is essential to support short selling, which in turn is a key facilitator of many important features of active capital markets, including market making, hedging, creating exchange traded funds (ETFs), and derivatives.

INTEREST RATE ENVIRONMENT

26. The high level of interest rates in Ghana has continued to be a significant source of concern as it hinders the development of an effective and active bond market. While average lending rates have declined from 32.1% in December 2016 to 23.6% in December 2019, they remain significantly higher than the Monetary Policy Rate of 16.5% in December 2019. The prevailing level of rates do not reflect the macroeconomic stability Ghana has enjoyed in recent years, and the entrenchment of fiscal discipline and political stability across election cycles. The high interest rates pose a challenge to the attractiveness of stocks given relatively lower dividend yields and recent weak performance.

27. At the apex of the interest rate regime is the BoG Policy Rate which serves as a key benchmark. It is charged on (overnight) short-term credit extended to banks to replenish their liquidity shortfalls. It therefore signals the cost of funds available to the banks as a last resort and should be transmitted throughout the financial system. However, because the use of central bank funds is an exception, the cost of capital of banks is not impacted much by the policy rate. The banks' lending rates have

remained high while deposit rates are low. For example, banks average lending rate and deposit rate as at the end of December 2019 were 23.6 percent and 11.5 percent (for 3-month time deposits) respectively, indicating a spread of 12.1 percent while the policy rate was 16 percent. Factoring in inflation, banks' real lending rates have been high at around 15.7%, while deposits registered real returns of 3.6% as at the end of December 2019.

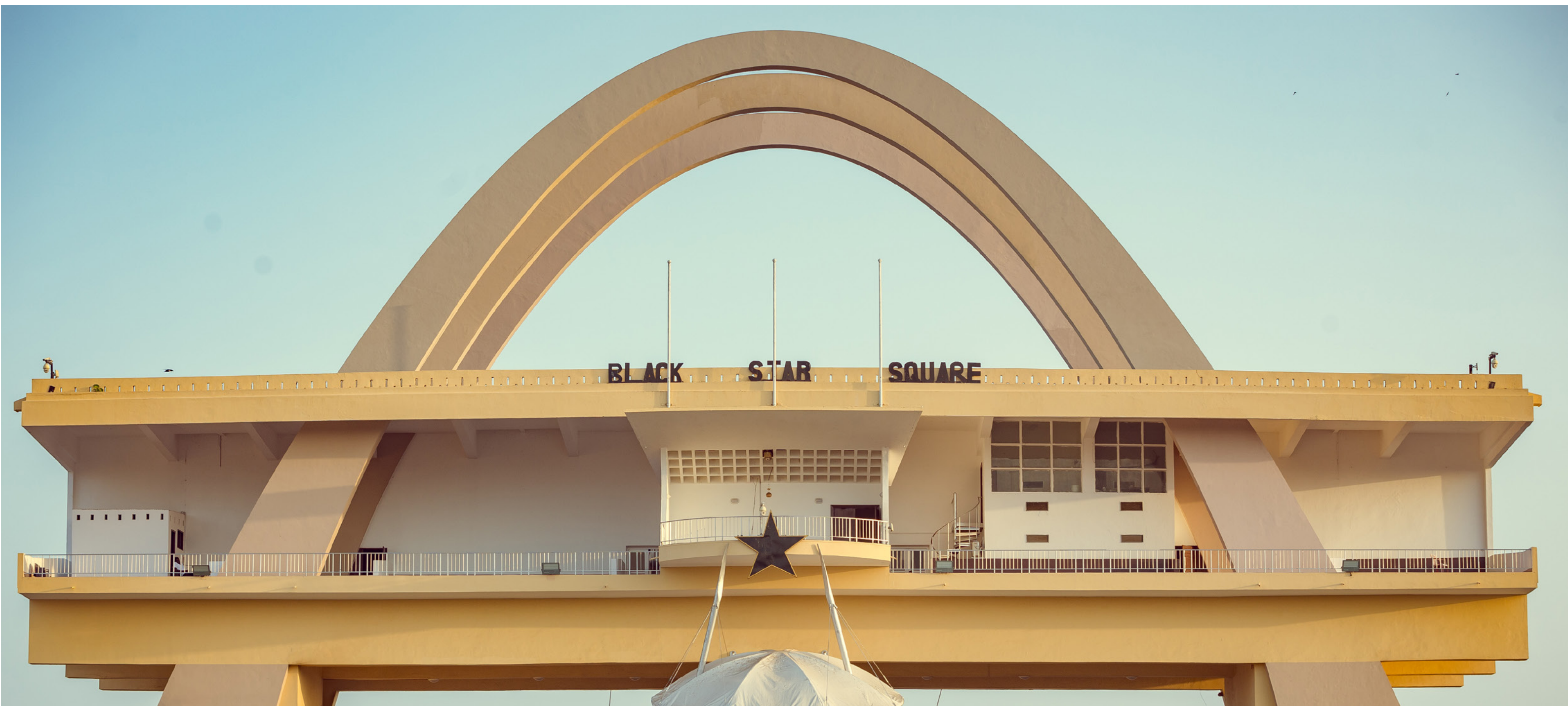
28. Corporate loans are generally priced off the Treasury bill interest rates. For well-established corporates, the spread can be approximately 200 to 300 basis points. The high interest rate environment has therefore forced businesses that need long term financing to borrow on a short-term basis (2-3 years) and subsequently rollover the facility. This increases the overall cost of borrowing and potential defaults given limited moratorium granted to borrowers.

29. Government borrowing to finance budget deficits has been one of the major factors that have sustained the high interest rate regime in Ghana. When government issues securities, it has to pay a high price in the form of interest to be able to raise its financing target because of resource limitations. The collapse of several banks, savings and loans companies and finance houses over the past two years has also interfered with pricing. The collapse has created a riskier environment which means that investors will demand risk premium, thus sustaining the high level of interest rates that has interfered with pricing of risk. The nature of the yield curve which is almost flat for medium to longer-dated bonds has also not helped with pricing as investors are not adequately compensated for the risk of investing in longer-dated instruments.

GOVERNMENT BONDS

30. Total outstanding bonds issued by the Government of Ghana (GoG) at December 2019 had grown to GH¢115 billion from GH¢74 billion in December 2018 representing 56% growth. The growth was largely seen on the 5-year and the 10-year tenor securities and the issuance of the

The collapse of several banks, savings and loans companies and finance houses over the past two years has created a riskier environment which means that investors will demand risk premium, thus sustaining the high level of interest rates that has interfered with pricing of risk.



Following recommendations of the SEC's medium-term strategic plan and the Fixed Income Working Group, key stakeholders in the financial market set up the Ghana Fixed Income Market (GFIM) in 2015.

Eurobond in 2019. All these securities are listed on the GSE, with trades being executed either on the GSE platform, or Bloomberg's e-bond trading platform and settled through the CSD. Currently, there are no benchmarks or on-the-run Treasury issues for each maturity.

31. In recent years, the government has shifted its issuance strategy by focusing more on medium and longer-dated instruments. Government's high borrowing requirements to finance its activities has increased owing primarily to lower-than-expected revenues, limited fiscal space and interest cost burden. Government therefore resorted to borrowing from the domestic market, thus, increasing its debt stock significantly especially in medium and long-term debt. The yield curve now stretches to 15 years but there are pricing issues with the longer-dated instruments which make them less attractive. Although significant progress has been made in the development of both money markets and longer dated government debt, secondary trading remains an issue.

32. Following recommendations of the SEC's medium-term strategic plan and the Fixed Income Working Group, key stakeholders in the financial market set up the Ghana Fixed Income Market (GFIM) in 2015. These stakeholders were led by the Bank of Ghana (BoG), Ghana Stock Exchange (GSE), Central Securities Depository (CSD), Ghana Association of Bankers, the Ministry of Finance (MoF), Financial Market Association (ACI Ghana) and the Licensed Dealing Members (LDMs) of the Ghana Stock Exchange. The objectives for the GFIM included providing an orderly and transparent and efficient market for all fixed income and similar securities and bringing secondary trading activities in fixed income securities in Ghana to international best practice standards. This move has significantly improved secondary trading in GoG securities. For example, since GFIM was established, the value of secondary trading in GoG bonds and corporate bonds has risen from GH¢9.6 billion in 2015 to GH¢48 billion in 2019.

33. The BoG issues securities on behalf of the government and has licensed financial institutions called Primary Dealers (PDs) to participate in the wholesale auctions of GoG securities. The roles of the PDs are to (i) take up, market and distribute the primary issuance of GoG Securities, (ii) actively participate in the secondary market for GoG Securities, thereby, facilitating price discovery, (iii) developing liquidity in the government securities market and (iv) to be an active and effective participant in the BoG's Open Market Operations (OMO). Unfortunately, the PD concept has not resulted in effective distribution of government securities, prompting the Ministry of Finance to create a new form of intermediary called Joint Book Runners (JBR) who also have access to the primary market and take fees for distribution.

34. The framework for secondary trading of bonds needs to be enhanced and made more accessible to retail investors through digital channels. Extensive education is required to embed the concept of long-term investing in the general public in order to increase retail demand for government bonds as a viable investment avenue.

35. The shape of the yield curve is upward sloping but almost flat for medium to longer-dated bonds. This means that there is very little price differential among the two-to-fifteen-year bonds making investment in longer-dated bonds unattractive. This may explain the lack of distribution of government securities by the primary dealers to investors due to investors' affinity towards short-term securities.

FIGURE 12: DOMESTIC YIELD CURVE (AT CONSTANT MATURITY), 2018 & 2019

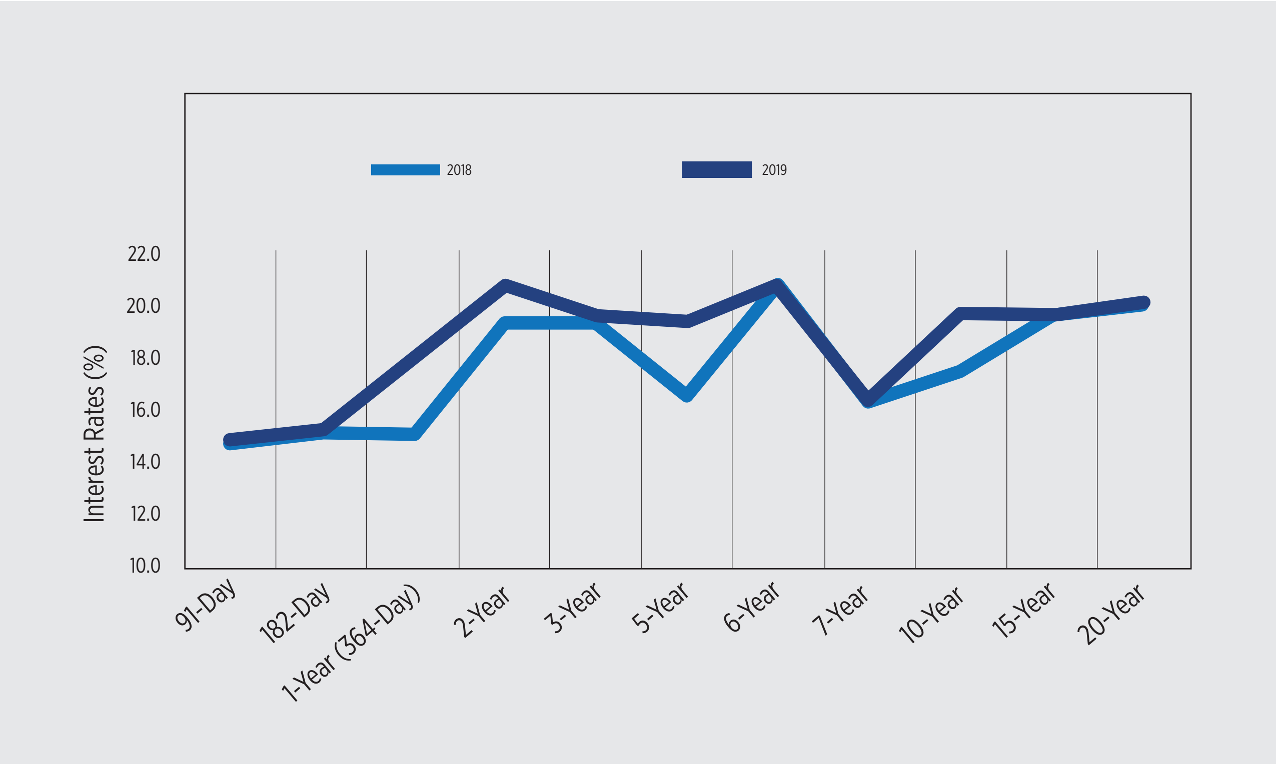
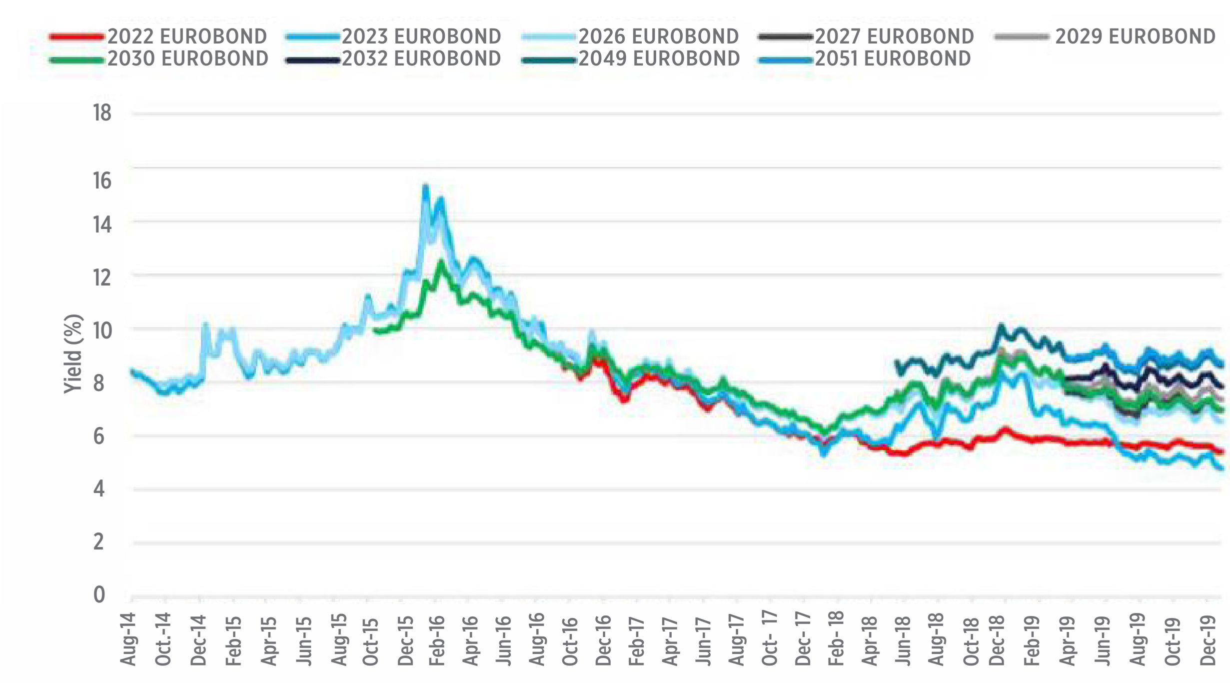


FIGURE 13: EVOLUTION OF GHANA'S EUROBOND YIELDS, 2014 - 2019



Source: Bloomberg

CAPITAL MARKET INSTRUMENTS - SUPPLY

36. The corporate bond market is nascent with a very limited number and type of issuers – ten listed bonds with total amount outstanding being GH¢ 8.0 billion. The limited number of corporate bonds, coupled with the small size of amount raised, provides little scope for secondary trading. Among the reasons for the lack of issuer interest in corporate bonds has been the unwillingness of private issuers to meet the high demands attached to listing such as transparency and transaction costs as well as limited flexibility in public debt markets relative to bank loans.

37. In the case of the equity market, growth has been painstakingly slow. There were 38 equity listings on the Ghana Stock Exchange with market capitalisation at 25% of GDP as at December 2019. Liquidity is a major challenge due to limited float and limited investor interest as many listed shares simply do not trade. The value of equities traded in 2019 was GH¢ 624 million which represents about 1.1% of total market capitalisation. A major factor accounting for the low turnover of the market is the limited free float of shares at the Ghana Stock Exchange.

38. The Ghana Commodity Exchange (GCX) became operational in November 2018 with maize (white and yellow) and soya as the main commodities. Sorghum, sesame and rice have since been added. However, GCX trading is limited to spot trades and is seeking to expand its warehouse footprint across the country.

CORPORATE BONDS

39. The corporate bond market in Ghana is currently small but it's projected to grow significantly. There were ten bond issuers with GH¢8.0 billion in issue at the end of 2019, which is small compared to outstanding GoG bonds of GH¢115 billion. Most of the companies that have listed bonds are in the financial sector with maturities ranging from 3 to 10 years (Table 1).

TABLE 1: Issuers of Corporate Bonds

Name of Issuer	Sector	Amount Outstanding (GH¢ million)	Tenor
AFB Loans Limited	Financial	234.3	5, 6 & 7 years
Bayport Financial Services	Financial	206.5	3 & 5 years
Bond Savings and Loans	Financial	70.0	3 years
Dalex Finance & Leasing Company	Financial	17.5	2 years
Edendale Properties Plc	Real Estate	8.0	3 years
ESLA Bond	Energy	6,000.0	7 & 10 years
Izwe Home Loans	Financial	80.0	3 & 5 years
Ghana Home Loans	Financial	9.6	3 years
Quantum Terminal Limited	Petroleum	45.0	3 years
PBC Limited	Agricultural	362.3	1 year

40. However, notably absent from the list of corporate issuers are banks who in most countries are dominant in the bond market as they issue bonds in order to manage the mismatch between their assets and liabilities. This absence of banks is attributable to two main reasons: (i) the BoG definition of Tier II capital (the types of debt that can count as capital in the prudential regulations) is relatively strict, making it inefficient for banks to issue bonds; and (ii) pricing may be unattractive as the bonds are likely to be priced at 100bp to 300bp above the GoG yield curve, which is already high.

41. Apart from the banks, there is also a general reluctance of other potential issuers to come to the market. Among the reasons for the lack of issuer

interest in bonds are the following:

a. Cumbersome issuance processes which are the same as or very similar to those for equity. This makes bank loan processes much more attractive to a borrower.

i. Equity-focused processes usually include lengthy approval processes which create risks for both bond issuers and bond-investors. For both issuers and investors, timing and speed to market are key since there are competing demands on liquidity and management time.

ii. Equity-based approaches also include high demands for transparency of information that is relevant to equity investors, such as the detail of governance and senior management remuneration. Many bond issuers regard these disclosures as onerous and are therefore reluctant to make them.

b. Perceived high transaction costs,

c. Historical macro-economic instability,

d. Lack of clear guidelines on corporate bond issuance,

e. Limited investor base and

f. Lack of independent credit ratings.

42. Secondary trading in corporate bonds is negligible compared to the equity and government debt markets, but this is not unusual in private sector corporate bonds. This is because of factors inherent in the nature of these bonds:

a. They are generally relatively small in size, particularly in smaller economies.

b. They are held by a small number of investors, largely institutions that bought with the intention of holding the bonds to maturity. These investors are not likely to sell unless they are rebalancing their portfolios, even if there are movements in prices.

c. The securities are held in large blocks which are best negotiated bilaterally rather than through automated platforms, with subsequent "post-trade" reporting to the Exchange or settlement framework.

43. ESLA plc dominated both trading volumes and values of the corporate bond market. The entity traded 2,731 volumes in 2018 compared with 1,989 in 2019 with values of GH¢ 4.7 billion and GH¢ 3.8 billion respectively.

EQUITIES

44. The GSE has 38 equity listings as at the end of December 2019. A total amount of GH¢2.8 billion has been raised since 2015 on the Exchange through six IPOs and nine Rights Issues.

TABLE 2A: Primary Issuances Of Equity - IPOS

Issuer	Type	Year	Amount Raised (GHC Millions)
Scancom Ghana Limited	IPO	2018	1,146.59
Digicut Advertising and Production Ltd.	IPO	2018	9.51
Access Bank Limited	IPO	2016	29.62
ADB Bank Limited	IPO	2016	325.78
Intravenous Infusions Ltd.	IPO	2015	6.83
HORDS Limited	IPO	2015	4.00
TOTAL			**1,522.33**

TABLE 2B: Primary Issuances of Equity - Rights Issues

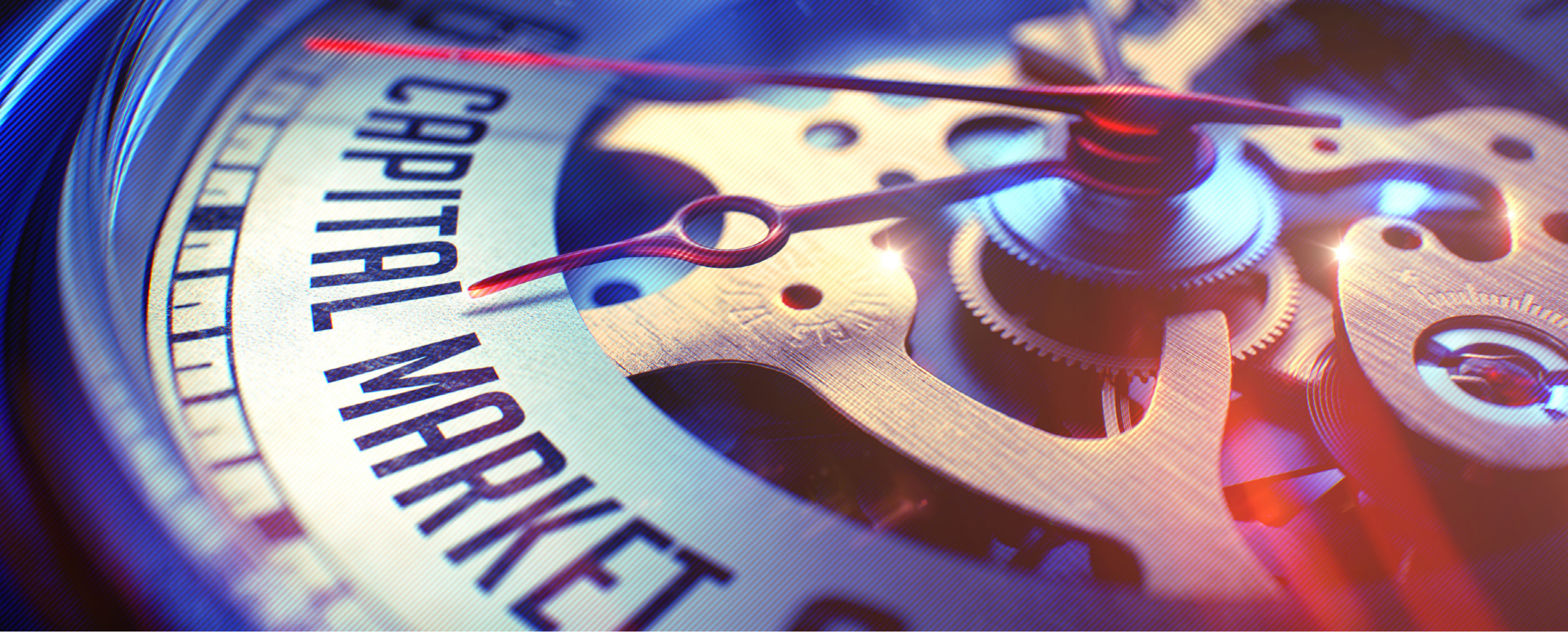
Issuer	Type	Year	Amount Raised (GHC Millions)
Access Bank Limited	Right Issue	2018	221.18
Enterprise Group Ltd	Right Issue	2018	219.72
Republic Bank Ghana Ltd.	Right Issue	2018	255.00
Societe Generale Ghana Limited	Right Issue	2018	168.94
HFC Bank Ltd.	Right Issue	2017	50.56
Ghana Oil company Ltd	Right Issue	2016	176.60
Guinness Ghana Breweries Ltd.	Right Issue	2016	180.00
Societe Generale Ghana Limited	Right Issue	2016	38.30
Mega African Capital Ltd	Right Issue	2015	4.30
TOTAL			**1,314.60**

45. Market capitalisation has increased from GH¢20.1 billion in 2010 to GH¢ 56.8 billion in 2019 due to gains in both prices and listings. This represents a compounded annual growth rate of 12.2%. Notable listings since 2010 include Tullow Oil, Access Bank and MTN, a telecommunication giant in Ghana. In relation to GDP, however, capitalisation fell from 31.7% of GDP in 2015 to 16.3% in 2019, owing to faster growth of GDP compared to the market. The main sectors of the economy represented at the exchange include the financial sector, manufacturing, mining, oil and gas, and telecommunication, even though representation for the mining, oil and gas, and telecommunications is with single entities.

46. The GSE Composite Index (GSE-CI) is the major stock market index which tracks the performance of all equities trading on the Ghana Stock Exchange. Over the past ten years, the GSE-CI has had its highs and lows - registering a return of 79% in 2013 and –15.3% in 2016. The volatile nature of the market coupled with lack of adequate knowledge of the equity market has over the years driven many investors to largely focus on investing permanently in fixed income, thus shrinking the equity investor base.

47. As part of a strategy to increase the number of listings, the GSE launched the Ghana Alternative Exchange (GAX) in 2013 as a parallel market to target Small and Medium-sized Enterprises (SMEs) with potential for growth. This is in line with a broader trend in Africa with Nigeria, Egypt and Morocco all establishing similar markets in recent years. So far, there are only 5 listings on GAX. The low levels of listings on the GAX is attributed partly to lack of awareness of its existence by SMEs. The timing of the launching of the GAX also coincided with challenging economic conditions during the period 2014 to 2016. This did not favour equity investments as potential investors had short-term investment horizons and thus, preferred to remain invested in money market instruments.

48. The Venture Capital Trust Fund (VCTF) was set up in 2004 through an Act of Parliament (VCTF Act 680) to provide long-term capital and technical support to enable Small and Medium-scale Enterprises (SMEs) to grow. This support is carried out through partner financial institutions (Venture Capital Financing Companies) who act as Fund Managers. Currently VCTF channels financial commitments to SMEs by providing credit and equity financing to funding vehicles. Although VCTF has leveraged its seed capital of GH¢22.4 million by about three-fold, the huge SME demand makes its impact on SME development negligible. The Trust Fund does receive inflows from government, but the amount is relatively small to make a dent in SME financing. By its very nature, the venture capital and private equity models are relatively long-term, robust and effective approach to easing access to long-term capital and spurring business growth. It will require significant long-term commitment from the government and the private sector to ensure consistent flow of investable funds to maintain sustainability.



49. As at the end of 2017, there were eighty-six (86) entities in which government has equity investments. State Owned Enterprises (SOEs) constitute a significant portion of the public finances and control more than 50% of national assets, therefore have important roles to play in the development of the market. Unfortunately, of the 38 listed companies, only six are state-owned: GCB Bank, ADB Bank, State Insurance Company (SIC), Cocoa Processing Company (CPC), Produce Buying Company (PBC) and Ghana Oil Company (GOIL). In several jurisdictions where the capital market has developed significantly, SOE listings have spearheaded the development of the equity-market. SOEs can often be brought to a capital market by government as a stage of their corporate development, and as a contribution towards the development of the capital market. This is usually done after significant work to clarify their mandates and to embed and protect high standard practices of accounting and governance. SOEs that are attractive to investors may then come to the corporate bond market, with or without a guarantee from the state, or to the equities market (if the state is looking for partial or complete privatization). Because of their size and name-recognition, these SOEs can often become important cornerstones of a market.

Total assets under management of pension funds stood at GH¢ 26.3 billion in 2019. Until the implementation of the Pensions Act (2008) in 2010, pensions were managed solely by the Social Security and National Insurance Trust (SSNIT).

CAPITAL MARKET INSTRUMENTS - DEMAND

50. Pension funds and the life insurance industry are areas of potential demand and growth for the capital market. Both the pensions and life insurance industry are growing at faster rates than the real sector of the economy. However, the flow of funds from the pensions and life insurance into the capital market leaves much to be desired. The 2017-2019 resolution of banks, savings and loans and finance houses which served as fixed-deposit issuers has exacerbated flight to safety, with more Fund Managers allocating increasing proportions of their portfolios to government securities.

PENSION FUNDS

51. Total assets under management of pension funds stood at GH¢ 26.3 billion in 2019. Until the implementation of the Pensions Act (2008) in 2010, pensions were managed solely by the Social Security and National Insurance Trust (SSNIT) which administered a defined benefit scheme. As at the end of 2019, it was managing GH¢8.9 billion representing 33.8% of total pension assets. The Trust is the largest single institutional investor on the Ghana Stock Exchange (GSE) and the main

SSNIT currently holds a significant number of shares listed on the GSE with twenty-two (22) out of the thirty-seven (37) listed companies. SSNIT's holdings on the Ghana Stock Exchange was GH¢2.7 billion as at June 2018.

driver of the development of the Capital Market in Ghana. SSNIT currently holds a significant number of shares listed on the GSE with twenty-two (22) out of the thirty-seven (37) listed companies. SSNIT's holdings on the Ghana Stock Exchange was GH¢2.7 billion as at June 2018.

52. Following the pension reforms of 2010 based on Act 766, private pension schemes were created with licensed trustees, pension Fund Managers, and pension fund custodians all under the supervisory oversight of the National Pensions Regulatory Authority. These new players have responsibility for the Tiers 2 and 3 of employee contributions.

53. Pension funds are recognised internationally as one of the main drivers of deep, vibrant, liquid capital markets by creating demand for capital markets products.

54. In 2016, the National Pensions Regulatory Authority (NPRA) revised its investment guidelines which increased the allocation to a number of the capital market products. The revision introduced new asset classes and increased the investment limits for asset classes aligned to the capital market. The limits for equities increased from 10 percent to 20 percent, while alternative investments (real estate investment trusts, private equity funds and international investment securities) were also introduced.

55. The asset allocation of SSNIT and the private pensions as at December 2019, are shown in Figures 13 and 14. The asset allocation of the private pension schemes are concentrated in government securities and fixed deposits (about 86 percent) as the Trustees seek safer investments due to the current financial upheaval.

FIGURE 14: PERCENTAGE OF TOTAL ASSET ALLOCATION OF SSNIT - DEC 2019

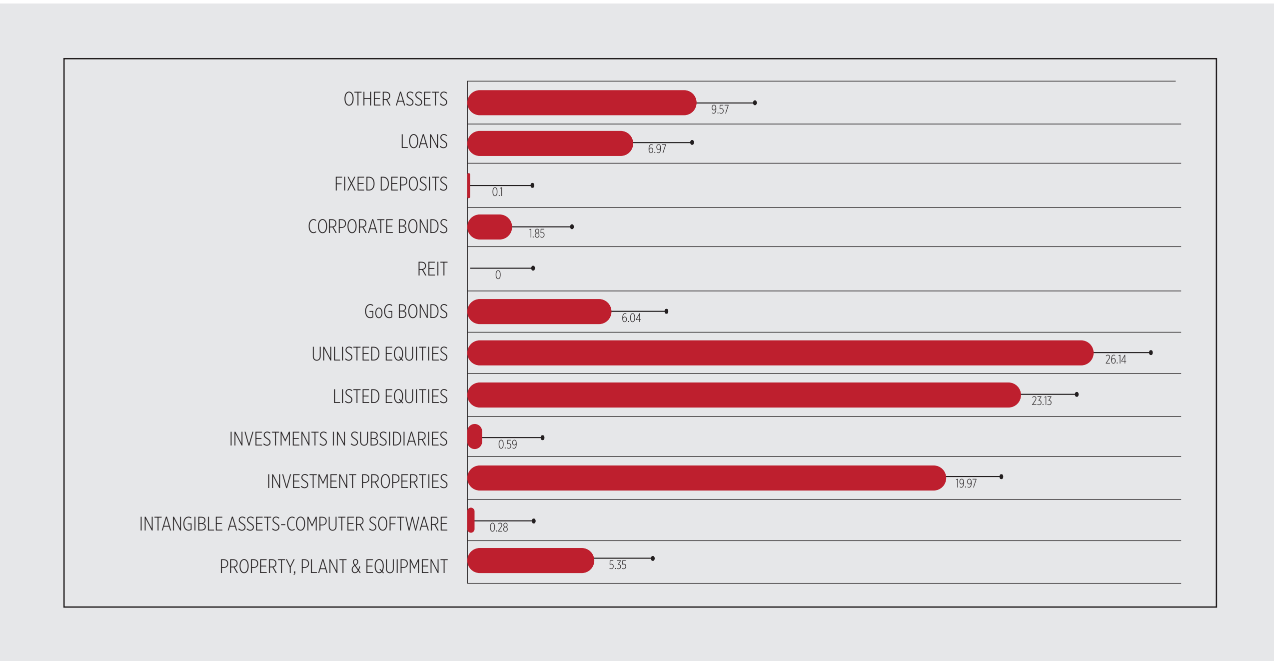
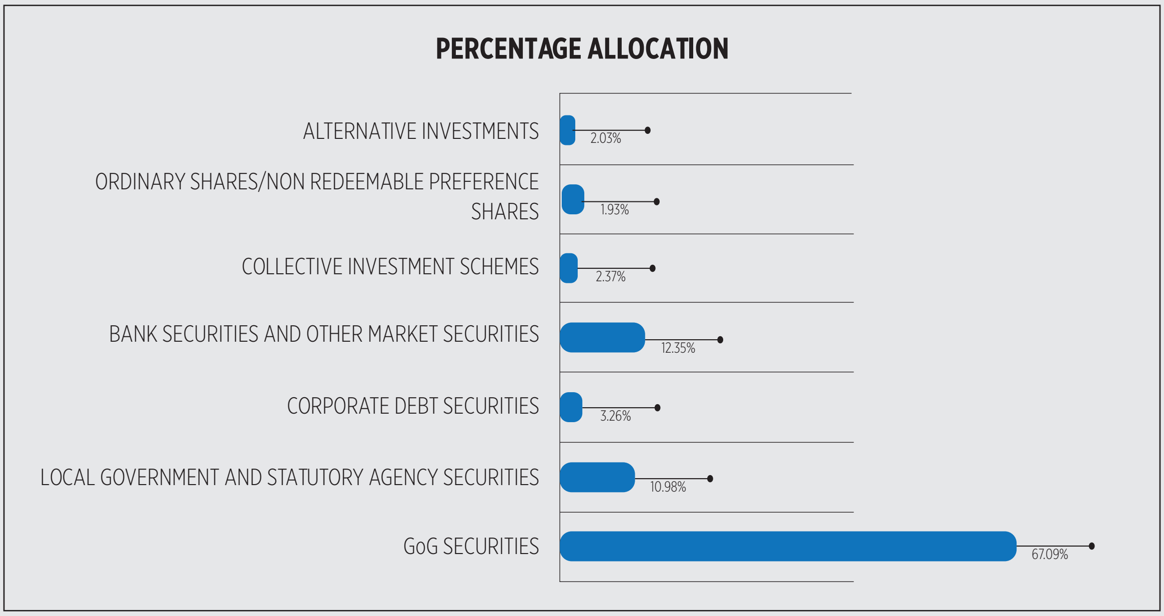


FIGURE 15: ASSET ALLOCATION OF PRIVATE PENSION FUNDS: DEC 2019



LIFE INSURANCE COMPANIES

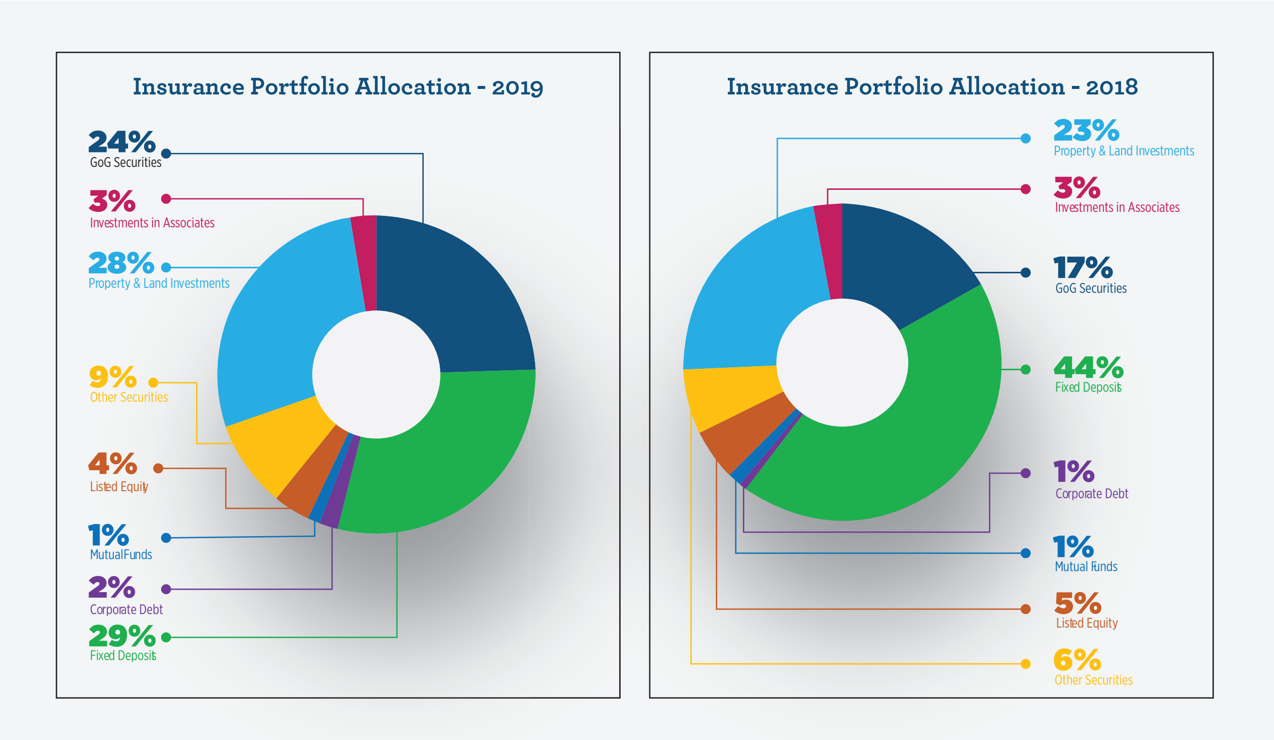
56. Life insurance companies in Ghana have seen significant growth over recent years with the total life premium reaching GH¢1.65 billion in 2019 from GH¢580.6 million in 2014 representing a compound annual growth rate of 23.2% during the period. In spite of this growth, insurance penetration is relatively low at under 2%. Total assets of life and non-life insurance companies amounted to GHC 6.5 billion in 2019, representing 1.9% of 2019 GDP. Figure 16 summarizes their investment portfolio allocation.

57. Life insurance companies are usually key investors in a country's capital markets, especially in longer-term securities such as equities and long-term bonds (in order to meet their own long-term obligations). However, the life insurance companies are not yet significant investors in the Ghanaian Capital Market. At present they have invested primarily in government bonds and in fixed deposits, including deposits at banks, savings and loans and MFIs. Only 7 percent of holdings were invested in equities, and no significant amount is invested in corporate bonds.

58. The National Insurance Commission (NIC) does not regulate requirements or limits on asset allocation but instead requires each life company to develop its own investment policy. The riskiness of different positions is then addressed through its guidelines on the solvency framework. The existing guidelines set out risk-based discounts to be applied to different types of assets, including discounts of 0% for government bonds, 5 percent for corporate bonds, 15% for listed securities (other than bonds, which are covered by the five percent), and 30% for other, non-listed securities. As such the NIC guidelines do not create any obstacle to investments in the Capital Market rather, they promote them. The NIC is however conscious that the development of the Capital Market provides an opportunity to improve the instruments available to the regulated insurance companies for risk management and for the generation of returns.

59. The ability of the NIC to set out mandatory regulations is limited by the present Insurance Act 2006 and the industry is awaiting the passage of a new Insurance Bill into law. Under that new framework, the NIC will be able to issue mandatory regulations covering among other things, a fuller risk-based capital framework.

FIGURE 16: INVESTMENT PORTFOLIO OF LIFE & NON-LIFE INSURANCE



ASSET MANAGEMENT INDUSTRY

60. The Asset Management Industry in Ghana has experienced remarkable growth especially over the past five years. The funds under management have increased from GH¢ 20.1 billion in December 2016 to GH¢ 28.3 billion by December 2019.

In Ghana, the Asset Management Industry comprises of Fund Managers managing retail and institutional portfolios, Pension Funds and Collective Investment Schemes (consisting of Mutual Funds and Unit Trusts). The total number of Fund Managers as at the end of 2019 was 85 overall. Table 3 indicates the total number of licensees as at close of year 2019 in the Asset Management Industry.

COLLECTIVE INVESTMENT SCHEMES (CIS)

61. Collective Investment Schemes in Ghana take the form of either a Mutual Fund or a Unit Trust. The characteristics of Collective Investment Schemes in Ghana are provided for in the Securities Industry Act 2016, Act 929 and in the

Table 3: Number of licensees as at close of 2019

License Category	Number of Licensees
Fund Managers	85
Mutual Funds	43
Unit Trusts	21
Trustees	5
Custodians	19
Venture Capital	2
TOTAL	**175**

Unit Trusts and Mutual Funds Regulations, L.I. 1695. The relatively low amount required to invest in collective investment schemes is making it possible for retail clients to participate indirectly in investment instruments including long-term investments that were previously out of their reach.

Pension Funds and Insurance companies could invest more in Collective Investment Schemes but are restricted in terms of asset allocation stipulated by their regulatory authorities. The key impediments to the growth of CIS are the lack of adequate knowledge of Collective Investment

Schemes by the investing public and high interest rate regime.

62. Despite the growth experienced in the industry, some key challenges have emerged including the growing levels of impaired assets due to the collapse of several financial institutions, especially for funds being managed on a discretionary basis. This led to a clean up of the Asset Management industry, resulting in 50 Fund Management firms having their operating licenses revoked. The cleanup exercise was in line with the Commission's mandate of protecting investors and the integrity of the industry. The rollout of a Government bailout on the back of the clean up is expected to prop the confidence of investors in the Asset Management Industry.

INDIVIDUAL DOMESTIC INVESTORS

63. The participation level of Ghanaian individual investors in the capital market is low. As at the end of 2019, there were 1,122,778 depository accounts, representing a CAGR of 11.5% from 2014 levels of 647,212. This represents 3.7% of the population of Ghana. Individuals with investment management accounts were 503,177, representing 1.7% of the population. There is therefore significant room for growth in promoting retail investment products.

64. Key factors in the low level of participation include low income levels and limited exposure to financial education. As adoption of mobile money exceeds the use of the banking sector due to its inclusive nature, it is critical for the capital markets to leverage mobile technology to increase distribution and information dissemination.

65. There is a strong need for broad investor education to enhance appreciation of investments in the general populace. The level of awareness is low given the recent experience of investors expecting fixed returns from Fund Managers. Retail investors have often typically demanded guaranteed returns which are about 5 to 10% above yields on government securities. The highly competitive nature of the investment industry drove many Fund Managers to offer relatively high guaranteed returns to investors in order to increase their assets under management. The Fund Managers invested in short-term fixed deposits of Savings and Loans, Finance Houses and Microfinance institutions which offered very high interest rates. Unfortunately, the Fund Managers could not redeem their investments as many of these institutions had liquidity issues resulting in many Fund Managers carrying high levels of impaired assets. This has brought about loss of confidence in the investment industry with some retail investors now turning to safer government securities and others investing in physical assets such as land, buildings, etc.

FOREIGN INVESTORS

66. Foreign investors have played a significant role in the development of the capital market by creating demand for longer-dated government securities and equities. Available data from the Central Securities Depositary (CSD) shows that the total value of foreign investor holdings in government securities in 2019 amounted to about GH¢29.1 billion, representing 34% of government securities.

67. In terms of trend, foreign investors' holdings in government securities have been increasing over recent years, with the exception of the latter part of 2018 and early 2019. The 2019 divestment of securities coincided with plans by the US Federal Reserve to raise its interest rates, which was expected to hold back huge inflows to emerging economies – foreign investors sold about 5 % of their aggregate securities. The decline in foreign

holdings is not expected to be reversed anytime soon. The government is now turning to local investors to raise funding for the budget deficit.

TAXATION & THE CAPITAL MARKETS

68. In any financial environment, the tax framework can have significant implications for the development of the capital market. The administration of tax can be used, among other things, to serve as incentives to attract participation in the capital market or become a deterrent. The tax regime in Ghana in so far as it relates to capital markets is as follows:

- Corporate Tax is 25 % of profits, with some exemptions applicable. Listed companies pay the same corporate tax as other companies. There used to be a concession that during the first three years after listing, a company would enjoy a 3% reduction to 22%, but this was removed in 2015. Reinstating this as a permanent feature should be considered since listed firms share their profits with a larger range of investors including pension funds.

- Under a concession first granted in 2005, there is no tax charged on capital gains earned from investments in listed securities, both shares and bonds. It is important to note that this concession expires on 31 December 2021.

Under a concession first granted in 2005, there is no tax charged on capital gains earned from investments in listed securities, both shares and bonds. It is important to note that this concession expires on 31 December 2021.

- Under a separate concession, there is also no tax charged on interest or capital gains earned from investments in government bonds. This concession is not set to expire.

- For listed investments, the regime applies a final withholding tax on dividends of 8%. It also applies a withholding tax of eight percent for interest paid to corporations, although this is a tax credit to be used in the year end declaration rather than a final tax. No withholding tax is applied to interest payments to individuals, including interest from bonds and from bank deposits.
- Note that the current concessions mean that there should be no issue created by taxation for repo transactions in relation to interest paid while a security is still being held as collateral (under the terms of repos, the two parties have to make an equivalent payment of this interest between them in order to "make good" the original holder of the bonds. This payment is referred to as "manufactured interest").

69. The tax benefits for investors in Ghana are therefore impressive, but they are due to expire in December 2021. The end of these concessions could have a significant negative implication for capital market development as it would mean that listed investments were treated equivalently to non-listed investments. Lifting the concession could also cause problems for repo transactions based on corporate bonds, which could be an additional impediment to development of the bond market.

70. It is important to note that there are no significant enduring tax benefits for issuers in Ghana. Tax reliefs and preferential policies can be particularly important if the country is to attract more issuers to the market. The decision to list is made principally by an issuer's board and financial team, for whom listing means extra costs (in compliance, in governance, in publication, as well as the efforts required to maintain high quality accounting records and transparency). Tax incentives can help to soften the impact of those extra costs. In an environment such as Ghana where there are potential difficulties in finding an acceptable price for corporate bonds, these incentives can also give issuers some additional flexibility.

CAPITAL MARKET INSTRUMENTS - INFRASTRUCTURE

GHANA STOCK EXCHANGE AND THE GHANA FIXED INCOME MARKET

71. The Exchange currently has three markets which provide the following services:

- Main Equity Board – facilitates the listing and trading of equities, preferences shares, exchange traded funds (ETFs) and similar securities by issuers, large and small.

- Ghana Alternative Market (GAX) – a new market segment for start-ups, Small and Medium-sized Enterprises (SMEs) and those with the potential for growth.

- Ghana Fixed Income Market (GFIM) – GFIM was established to scale up the listing and trading of fixed-income securities. All fixed-income securities are now traded on GFIM. GFIM uses the Bloomberg platform for trades of its listed fixed income securities market for the global investment community.

- In addition to the operations of the markets, the Exchange also provides services by way of: Securities Courses, Professional Development Seminars and the sale of capital market data. The training function is expected to migrate to the Ghana Investments and Securities Institute (GISI) in 2020.

- The Ghana Stock Exchange (GSE) also has an ownership interest in the Central Securities Depository (CSD) and the Ghana Investments and Securities Institute (GISI).

GHANA COMMODITY EXCHANGE

72. Although the Ghana Commodities Exchange (GCX) was established as a private company limited by shares and structured as a Public-Private Partnership, the government of Ghana currently is the sole shareholder.
The government however intends to reduce its holdings over time. GCX operates an electronic platform for buyers and sellers of agricultural and other commodities to trade in an efficient and orderly manner under the regulation of the SEC. The aim of the Exchange is to establish linkages between agricultural and commodity producers and buyers, to secure competitive prices for their products, assuring the market quantity and quality as well as timely settlement of their trades. It has the vision of transforming Ghana's economy by

As at the end of March 2019, aggregate volumes of trade on GCX stood at 277,395 metric tons, equivalent to GH¢370,000.

creating prosperity for all in commodity value chains, and become a regional and global trading hub for all commodities.

73. The Exchange became operational in November 2018 with maize (white and yellow) as the main commodity. Currently, the Exchange is dealing with spot trading and will phase in futures and other derivatives contracts in due course. As at the end of March 2019, aggregate volumes of trade on GCX stood at 277,395 metric tons, equivalent to GH¢370,000. The GCX model is backed by a warehouse receipts system although it is yet to complete its plan to build eight warehouses that would enable farmers to have easier access to the platform. GCX trades in white and yellow maize, soya beans, sorghum, sesame seeds and rice. A total of 51,296 farmers have been trained directly or indirectly and 20 farmer-based organizations have signed up with the GCX.

CENTRAL SECURITIES DEPOSITORY

74. The Central Securities Depository (CSD) serves as the single depository for all securities including public sector bonds and private sector bonds and shares. It provides safe, secure, dependable clearing, settlement and depository services to Ghana's securities market. It has upgraded its system with a highly advanced platform that directly connects to GSE's trading system and BoG's real time gross settlement system for straight-through processing of transactions. The system is also connected to brokers, custodians and registrars and keeps all securities for an investor in a single account. In due course, these systems should facilitate the development of new services and products including derivatives and securities borrowing and lending.

REGULATORY FRAMEWORK AND CHALLENGES

75. The Securities and Exchange Commission (SEC), established in 1993, is the primary regulator of the securities industry. Its mandate is set out in the Securities Industry Act, 2016 (Act 929), to regulate and promote the growth and development of an efficient, fair and transparent securities market in which investors and the integrity of the market are protected. Clearly, investor protection has been coupled with market development in what is expected from SEC. Act 929 was introduced (to replace the Securities Industry Law 1993, (PNDCL 333), amended in 2000) and reflects the expanded nature of Ghana's securities market. The Act allows the introduction of some new products and services into the securities market and brings new market operators under the regulation of the Commission.

76. The SEC is responsible for the oversight of the activities of all securities companies. Act 929 sets its responsibilities out as follows (summarized):

- Maintain surveillance over activities in securities to ensure orderly, fair and equitable dealings
- Register, license, authorize or regulate the establishment of securities exchanges, commodities and futures exchanges, securities depositories, clearing and settlement institutions, credit rating agencies, Fund Managers, investment advisers, unit trusts, mutual funds, private equity funds, venture capital funds, nominees, underwriters, issuing houses, registrars, custodians, trustees, primary

dealers, broker-dealers;

• Formulate principles for the guidance of the industry;

• Monitor the solvency of license holders and take measures to protect the interest of customers where the solvency of a license holder is in doubt; and

• Advise the Minister on matters relating to the securities industry.

77. The key legislations that are relevant in the regulation of the securities industry includes the following:

(i) Securities Industry Act, 2016 (Act 929) - the primary legislation for the regulation of the securities market.

(ii) Securities and Exchange Commission Regulations, 2003 (LI 1728) - the detailed regulations for the market operators and for the disclosure of information by issuers of public offer securities. The Regulations were amended with segments to be replaced by Licensing Guidelines and Conduct of Business Guidelines.

(iii) Unit Trusts and Mutual Funds Regulations 2001 (LI 1695) - the detailed regulations for the operation of collective investment schemes (unit trusts and mutual funds) under the Securities Industry Act.

(iv) Central Securities Depository Act 2007 (Act 733) – the Act that provides for the establishment of the Central Securities Depository.

(v) Foreign Exchange Act 2006 (Act 723) – the Act that removed restrictions on foreign and non-resident investors, including the limits and requirement for prior approval of purchases.

78. The SEC is subject to a number of significant regulatory challenges

(a) Since 2016, SEC has been financially self-sufficient, relying only on industry fees, which is listed as one of its funding sources by the Act 929. However, its financial resources are limited, thus, hindering its ability to function effectively. If the Government seeks to have a well-functioning capital market, it will need a SEC that has the human and financial resources to develop it and to oversee it. The Commission needs to be resourced to be able to execute its functions properly.

Headcount is at present 62 persons, which is low given the range and number of activities and entities under its supervision. The Public Services Commission conducted a human resource establishment audit of the SEC in 2018 and recommended a staffing level of 118 persons. However, the existing financial constraints means that it will be a challenge to

recruit persons with expertise and knowledge of the capital markets.

(b) The SEC has powers under Act 929 but these are highly limited. They are unable to conduct certain enforcement actions without going first through the courts. There is the need for a review to ensure that there are adequate powers to act promptly while limiting the damaging effects of unauthorized or delinquent firms' actions on investor interests. Moreover, the fines for infringement are fixed, regardless of the intention, the scale of the breach or the numbers and types of clients that were impacted. Further, these fixed fines are extremely low and therefore do not serve as a sufficient deterrent. They are usually between 150 and 500 penalty units, with the highest penalty being 4,500 penalty units (a penalty unit is currently GH¢12).

(c) Collective Investment Schemes are the classic tool for channeling the savings of retail investors to the capital markets, but the dual legal framework of mutual funds and unit trusts for CISs is creating governance loopholes and without uniform standards on performance reporting. With the current regulations on Unit trusts, the fiduciary duties that trustees have for their clients are not clearly set out.

Since 2016, SEC has been financially self-sufficient, relying only on industry fees, which is listed as one of its funding sources by the Act 929. However, its financial resources are limited, thus, hindering its ability to function effectively.

(d) The licensing regime requires streamlining. A draft framework has been finalized pending issuance. The current regime for Fund Managers includes relatively low minimum capital requirements (GH¢ 100,000) and limited conduct guidelines which are being enhanced. Fund Managers are able to handle client monies and assets directly and to invest discretionally. At present they are able (i) to create and administer collective investment schemes as well as client portfolios, and (ii) to apply to become Pension Fund Managers. Those roles are usually subject to very demanding conduct and capital requirements in order to protect clients.

(e) The regulatory framework is currently implemented manually, resulting in significant time lags in enforcement actions and risk assessment of segments of the industry. The compliance-based framework is paper based and analysis of returns and queries is slow with potential for inaccuracies. The Commission has developed an IT strategy that envisages a three-pronged approach to digitization: (i) automation of internal processes, (ii) digitizing interactions with market operators, (iii) making data available to the public on a timely basis. Implementation is expected to commence in 2020.

(f) Act 929 does not have a resolution framework for market operators following the revocation of licenses. This leaves a gap in the powers of the Commission in its mandate of protecting investors. It is critical that the law be amended to enhance the Commissions powers in this regard, along with intermediate steps to limit damage to market confidence when operators begin to fail.

07. Developing the Capital Market Master Plan

VISION FOR THE CAPITAL MARKET

79. A plan must be guided by a vision.

To put in place the framework for the capital market development plan will mean crafting a clear vision which will form the basis for setting objectives, developing actions and initiatives. The vision articulates the aspirations of many stakeholders of the market so that the plan can receive the support of the market. Following broad consultations with stakeholders, the expectation of the market is that the plan will articulate a vision which will embody the following aspirations:

- Develop a strong capital market premised on a robust and modern infrastructure with state-of-the-art technology support.
- Achieve an emerging market status from the current frontier market ranking.
- A capital market which is able to mobilize and attract huge volumes of funding both from domestic and international investors.
- A market capable of efficiently allocating resources to the productive sectors of the economy for accelerated economic growth.
- Achieve sustainable development growth through the proper matching of funding to projects.
- The activities of the market will create a strong investment environment or climate which will lead to creating jobs in the economy and ultimately reducing poverty.
- A market that is dynamic, proactive and innovative in developing new products for the market.
- A market which exudes confidence and transparent enough to allow players take informed decisions.
- A market which creates value for its investors and other players on the market.
- Make Ghana the Financial Hub for West Africa.

The vision articulates the aspirations of many stakeholders of the market so that the plan can receive the support of the market.

80. Based on the above aspirations, the following vision has been crafted:

A deep, efficient, diversified and well-regulated capital market with a full range of products attractive to domestic and international investors.

81. At the end of the plan period, it is anticipated that the capital market in Ghana will be demonstrably successful and well-functioning:

The market will be firmly established as an emerging market, with a commitment of all participants to further improvement and to the implementation of international standards of regulation and of infrastructure;

- It will offer a wide range of investment opportunities, including different sectors and different types of instruments; key instruments will be liquid; price discovery will be efficient and effective;

- It will facilitate a significant mobilization of resources towards promising opportunities and businesses, thereby boosting economic growth, creating lasting jobs, and supporting the financial stability of the country;

- It will be one of the main channels for financing innovation and entrepreneurship in the country; and

- It will be one of the main options for domestic investors to put their long-term savings, and will attract significant regional and overseas investment.

- Provide long-term funding to support the realization of the ideals in the Medium Term National Development Policy Framework and the Ghana Beyond Aid Strategy Document.

KEY STRATEGIC PILLARS

82. To achieve the vision and objectives of the capital market development plan, the vision needs to be translated into a set of well-focused strategic pillars based on the weaknesses identified during the scoping study of the capital market. The following have been set up as the four main strategic pillars to drive the vision:

Strategic Pillar 1

Improving diversity of investment products and liquidity of securities market

The sophistication and breadth in the range of products and offerings must be vastly expanded with the end goal of bringing about full market diversification, financial inclusion and market relevant products innovation and development. The Commission needs to have adequate human and financial resources to support and drive the introduction of new investment products as well as education on same. This strategic pillar is aimed at creating a range of products and services that will be attractive to local and foreign investors.

Strategic Pillar 2

Increasing the investor base

The goal of expanding the investor base is to encourage the development of investors that have different investment objectives and employ a range of investment strategies. This will enhance market liquidity by creating trading opportunities and will reduce market fluctuations by allowing securities exhibiting different investment risks to be held by those most capable of bearing them. It is not only the size of the investor base that matters but also its diversity. An investor base can be large, but if it is concentrated in a small number of institutions employing similar investment strategies, the result may be "buy-and-hold" portfolios that ultimately undermine the efficiency and effectiveness of the capital market. A broad and diversified investor base provides a source of stable demand that supports liquidity, depth and stability.

Strategic Pillar 3

Strengthening infrastructure and improving market services

Financial Market Infrastructures (FMIs) provide critical services that facilitate the clearing, settlement and recording of financial transactions, including the transfer of securities and funds. By making transactions safer and cheaper, robust and efficient, market infrastructure can boost trading liquidity. Much progress has been made regarding establishing the requisite market infrastructure. However, there is still more room for improvement and enhancement.

Strategic Pillar 4

Improving regulation, enforcement and market confidence

Development of the capital market is dependent on the level of confidence of investors and other key actors in the market and on the credibility of the legal and regulatory framework that underpins this confidence. This Pillar combines initiatives to fortify the understanding of markets and products of the stakeholders, with initiatives to build safety, soundness and stability within the markets. The legal and regulatory framework for capital markets will be reviewed and improved to give more powers to the SEC in the area of enforcement, to ease issuance of securities, enhance time to market and to allow for innovation and product development. Enforcement of the AML/CFT guidelines that were issued in 2019 is also of critical importance.

DELIVERING GROWTH

83. The specific initiatives within each of the pillars are described below and are aimed at constructing markets across a wide range of areas. Subject to addressing several important precursors described below, the initial areas of growth are expected to fall into the following four areas:

- *Retail access to government bonds* – this would represent a relatively safe haven for individual and corporate investors who only currently have access to T-Bills. This will be dependent on a range of matters including the creation of easy access to trading and custody of government bonds by persons who are not CSD participants, a decision by the issuer deliberately to direct part of issuance of benchmark bonds to retail investors as well as to make any necessary structural changes, and on the promotion of these bonds to the retail sector.

- *Corporate Bonds* - through the creation of a wholesale bond market available only to qualified investors. The market would incorporate a fast route to issuance and a limited content offering document. Even with Wholesale bonds in place, the corporate bond market is expected to remain a relatively quiet market until the issuance of medium-term bonds by banks is facilitated and encouraged – something that has proven internationally to be one of the main tools that banks have used for the management of maturity mismatch risks in their balance sheets. It is common to find that in active bond markets, banks are usually responsible for over half of all issuance of bonds.

- *Collective Investment Schemes* - these are important vehicles for encouraging and safeguarding retail investment, providing a way for retail investors to enjoy economies of scale, diversification, expert intermediation and advice, and access to institutional instruments; and important investors for issuers to consider. The proposed way forward is a restructuring of the Collective

Investment Schemes (CIS) structures available now and a promotion of CISs over individual portfolio accounts.

• *Listings of shares* – once the GSE is successful in its demutualization and in its effort to attract more equity listings, this will add significant cornerstones to the equity market, which will be natural points of attraction for investor attention and liquidity. Initiating the business development unit to create an incubator for SOEs and SMEs is also critical for deepening the pipeline for listings.

84. The Commission and stakeholders will also prioritize initiatives that would have an early impact and serve as a powerful signal of confidence and intent (referred to as "quick wins"). These initiatives should be relatively quick and straightforward and should be easily grasped by the investing public, in order to have the greatest influence on the awareness of progress. Recommended initiatives for consideration as quick wins include the following:

- demutualization of the GSE and increasing listings
- retail access to government bonds
- introduction of repo markets
- introduction of REITS
- launch of a credit rating agency and related guidelines; and
- restructuring and promotion of CISs

85. Properly done, it is a specific aim of this Master Plan's implementation to result in the reclassification of Ghana's capital market into the investable indices for Emerging Markets, in particular the FTSE Russell and MSCI index suites (Ghana is currently categorized as a Frontier Market). To this end, the initiatives described below are directed towards creating the appropriate conditions for liquidity, market efficiency, investor access, and institutional strength at the level of both firms and market institutions.

86. Of course, as mentioned above, delivery of these quick wins and of this initial growth will be dependent on the resolution of a number of matters, or at least their being put firmly on a path to resolution. These include the following:

• resolution of impaired assets within client portfolio accounts of Fund Managers,

• addressing dysfunctions within the government bond markets,

• enhancing the financial resources of the SEC,

• increasing the human capacity and technological backbone of the SEC, and

• implementing detailed conduct regulations.

ADDRESSING FINTECH

87. Financial Technology companies (Fintech) have championed technological innovation across the globe, allowing services and products to be delivered and used in new ways, often creating significant disruption for existing networks and structures. They provide solutions that create access to new markets, new offerings for existing customers, deeper customer engagement, and enhanced data collection, use and management. Fintech has already begun to have important impacts in Ghana in a range of sectors, including agriculture, health and importantly retail financial services (for example, mPedigree, Slidepay, and

MTN mobile money). Fintech mobile internet solutions in Ghana have contributed significantly to digital banking, made remittances and transfers faster and safer, helped to bridge the gap between banks and customers and revolutionised product development.

88. The Capital Market value chain offers many opportunities for technological innovation with the potential to revolutionise the market in a range of areas, including: core market infrastructure, post trade operations, analytics and decision making, funding platforms and new products. To deliver the needed solutions, the capital market must create the room for mutually beneficial partnerships with Fintech firms. A functional partnership will help Fintechs to create and scale the right innovations for the Ghanaian market, improving product offerings, increase efficiency and lowering costs for market participants.

89. To help promote these developments, this Plan includes three initiatives specifically aimed at helping create this partnership between the market and the Fintech providers:

• Regulatory Sandbox – a regulatory framework to be created by SEC for piloting innovative proposals and determining their impact and the appropriate regulatory approach within a safe space. This partnership will make it easy for the regulator to deal adequately with associated risks such as the use, analysis and sale of customer data and increased systemic vulnerabilities.

• Create digital platforms for retail trading – a specific initiative to seek to incorporate within the capital markets the best practices and lessons learned from the application of Fintech in other sectors, particularly digital banking.

• Capital Market Fintech Meeting – quarterly/semi-annual meetings coordinated by SEC attended by GSE, CSD, selected market participants and Fintech companies in Ghana to discuss market needs and opportunities and regulatory obstacles to technological development within the market.

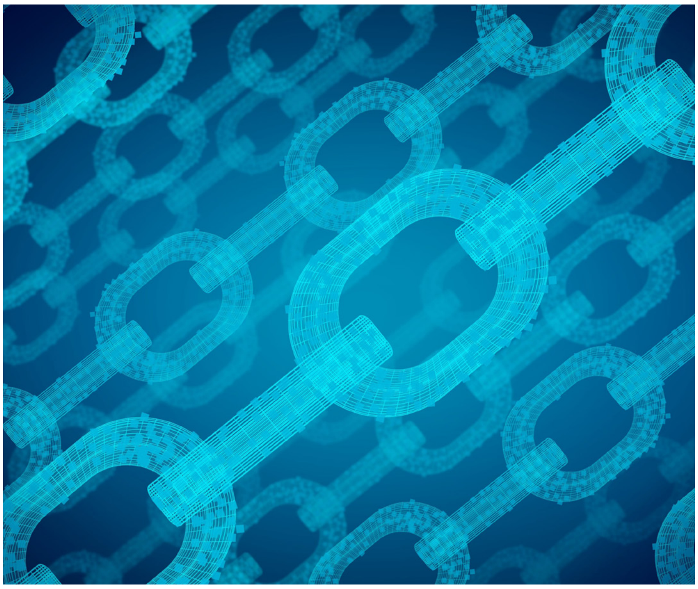
STRATEGIC INITIATIVES

90. The strategic initiatives are the means through which the vision will be translated into practice. The following are the strategic initiatives for each strategic pillar:

Pillar 1 1. IMPROVING DIVERSITY OF INVESTMENT PRODUCTS AND LIQUIDITY OF SECURITIES MARKET	
Investment products - Specific Strategic Initiatives	
a) Comprehensive review of taxation issues applicable to the capital market b) Revise market models and introduce market makers c) Make credit ratings mandatory d) Develop wholesale corporate bond framework e) Strengthen the repo market f) Create a listing business development unit at the GSE g) Clarify the definition of free float h) Facilitate the creation of limited partnerships i) Permit margin trading j) Promote asset-backed securities k) Review of readiness for commodity futures l) Develop a framework for the issuance of infrastructural bonds m) Improve liquidity of the government bond market	n) Establish credit rating agency o) Promote the development of REITs p) Amend regulation on Tier 2 capital q) Develop a framework to bring about transparent environment for the issuance of infrastructure bonds r) Facilitate retail access to government bonds s) Establish incubation program for SOEs and SMEs t) Introduce additional commodities at GCX u) Promote Private equity and venture capital investing v) Establish securities lending and borrowing, and short selling w) Facilitate the issuance of municipal bonds x). Risk Capital funds y) Facilitate the issuance of green bonds

COMPREHENSIVE REVIEW OF TAXATION ISSUES APPLICABLE TO THE CAPITAL MARKET

There is the need to identify appropriate measures to make issuance attractive to issuers and investors including taxation of private equity and venture capital funds. This should be part of a larger exercise including incentives for investors. It could include consideration of matters such as reductions in corporate taxes for listed companies that have carried out IPOs of more than 25% of their share capital; super-deduction of listing costs in the annual declarations, and amnesties for taxes arising from corporate restructurings ahead of a listing. It will be important that this exercise balance the cost of taxes foregone against the utility to the state of the activity promoted, and also ensure that any incentive is commensurate with the benefit it brings to the economy.



This is not simply a matter of identifying new incentives, but also of identifying and resolving potential obstacles that may be difficult to spot in the absence of a capital market, but which become critical once the market tries to develop. This would also include identifying and fixing existing incentives that are unnecessary or are open to abuse. International experience in this area has highlighted a wealth of lessons. Activities to be undertaken will include identifying the tax issues relating to the capital market and forwarding proposals to Ministry of Finance for consideration.

IMPROVE LIQUIDITY OF THE GOVERNMENT BOND MARKET

Liquidity is important for effective government bond market functioning. It facilitates the efficient allocation of economic resources through the efficient allocation of capital and risk, the effective generation and dissemination of issuer-specific information, and the effectiveness of monetary policy and financial stability. There is the need to revise government's issuance practices including the definition of benchmarks and the use of liquidity management operations (including buy-backs and switches). As matching supply and demand for a debt market instrument becomes more challenging, the role of the Primary Dealers (PDs) should be enforced to provide liquidity to the secondary market. This will involve buying or selling financial instruments without an immediate matching transaction and it requires the PDs to bear risks relating to the movement in inventories. Enhanced capital requirements for banks, savings & loans institutions, broker-dealers and Fund Managers will require them to hold increased levels of risk-free assets on their balance sheets. This will help boost domestic trading of government bonds.

REVISE MARKET MODELS AND INTRODUCE MARKET MAKERS

There is the need to define and implement appropriate market models for GSE markets, including introducing effective market makers, subject to the right set of obligations and benefits, and other appropriate measures that will promote liquidity and price discovery. This may include introducing market makers within the GFIM government bond market. In this context, the SEC's enhanced capital requirements for broker-dealers and the concurrent migration to enhanced liquidity requirements based on asset risk will drive a review of business models. In the medium-term, a risk-based capital regime for securities firms will be essential to firms who want to be market makers. There is also the need to open up primary dealership space to grant access to Fund Managers in the purchase of government primary issues. This will make it easier for Fund Managers to invest more in Treasury bills and bonds.

FACILITATE THE ESTABLISHMENT OF CREDIT RATING AGENCIES

This initiative marks the launch of a functioning credit rating agency, able to provide investors with important information regarding the creditworthiness of an issue or issuer. These credit rating agencies help measure the quantitative and qualitative risks of an issue and allow investors to make informed decisions by benefiting from the skills of professional risk assessment. It is recommended that the use of a local credit rating agency be made mandatory for all banks and insurance companies, and issuers of bonds and syndicated loans held by Fund Managers, Collective Investment Schemes and Pension Funds. Implementation of the recommendation will be by the SEC and BoG in consultation with the market and in line with the other initiatives.

PROMOTE THE DEVELOPMENT OF REITS

Considering the fact that Ghana has close to 2 million deficit in residential housing, REITs will serve as a good vehicle to pool funds for the provision of housing to reduce this deficit and diversify the pool of capital available for growing the real estate sector. To a Ghanaian investor, REITs will serve both as a diversifier of a portfolio and access to investments in residential and commercial properties. SEC has developed the guidelines for the setting up of REITs but there is the need for active support for its issuance and specific training programs for intermediaries and investors to promote its development and usage.

DEVELOP WHOLESALE CORPORATE BOND FRAMEWORK

The corporate bond market is at its rudimentary stage with few listed bond issues. Some of the key challenges facing issuers include lack of clarity on issuing guidelines and the rigorous nature of the process which is equivalent to the issuance of shares. The creation of a fast-track wholesale corporate bond framework, including template information memorandum, definition of eligible investors and automated listing process will help remove obstacles to make it easier for potential issuers to come to the market. A wholesale bond is a debt security, which at the time of issue, could be sold to only institutional clients. An active wholesale bond market would also provide a platform for the initial development of mortgage-backed securities. It would also enable regulators prepare a path for the creation of green bonds and social bonds, which will help to deliver some of the Ghana's sustainable development goals. SEC will develop separate guidelines for the issuance of wholesale and retail bonds.

AMEND REGULATION ON TIER 2 CAPITAL FOR BANKS

Under the current regulatory regime of the Bank of Ghana, the use of debt issuance by the banks is treated harshly for consideration as part of Tier 2 capital, making it unattractive for the banks to issue debt instruments. They are usually key issuers of medium-term bonds. The standards set out in Basel II would help to facilitate bank issuance and therefore create more products in the market. This issue needs to be resolved through engagements with Bank of Ghana, the Ghana Association of Bankers and the Securities and Exchange Commission in order to enable banks use domestic funding to raise long-term capital for productive projects.

STRENGTHEN THE REPO MARKET

Repo markets play a key role in facilitating the flow of cash and securities around the financial system, with benefits to both financial and non-financial firms. A well-functioning repo market therefore supports liquidity in the capital markets,

thus contributing to the efficient allocation of capital in the real economy. An introduction of a master repo agreement including insolvency carve out and appropriate taxation framework and the strengthening of CSD facilities for administration will help strengthen the repo market.

FACILITATE RETAIL ACCESS TO GOVERNMENT BONDS

The current process for retail investors to buy and sell government bonds is cumbersome. The process should be made simple by making it easier for account opening, purchases and sales. In addition, there should be a sustained public education on bonds and the need for the government to consciously allocate portions of benchmark issues for the retail investors.

CREATE A LISTING BUSINESS DEVELOPMENT UNIT AT THE GSE

The GSE has had low listings as its major set-back. As a way forward towards the resolution of its listing problems, there is the need to create a business development unit at the Ghana Stock Exchange focused on marketing, education and other initiatives such as incubating SMEs, all aimed at increasing listing on the exchange. The unit will identify target companies and prepare them for listing. An intermediate market for capital can also be explored by this unit in collaboration with the SEC.

ESTABLISH INCUBATION PROGRAM FOR STATE-OWNED ENTERPRISES & SMES

Deepening the range of listings requires a targeted approach of engaging potential companies that will be exciting to investors, have good growth prospects or occupy important segments of the economy. The GSE will develop a framework that serves as an incubator for the following potential issuers:

1. State-Owned Enterprises (SOEs): These firms are often brought to a capital market by a government as a stage of their corporate development, and as a contribution towards the development of the capital market.

2. Small & Medium-sized Enterprises (SMEs): There has to be greater coordination with investment advisors in enhancing GAX and encouraging institutional investors to support smaller businesses through the exchange.

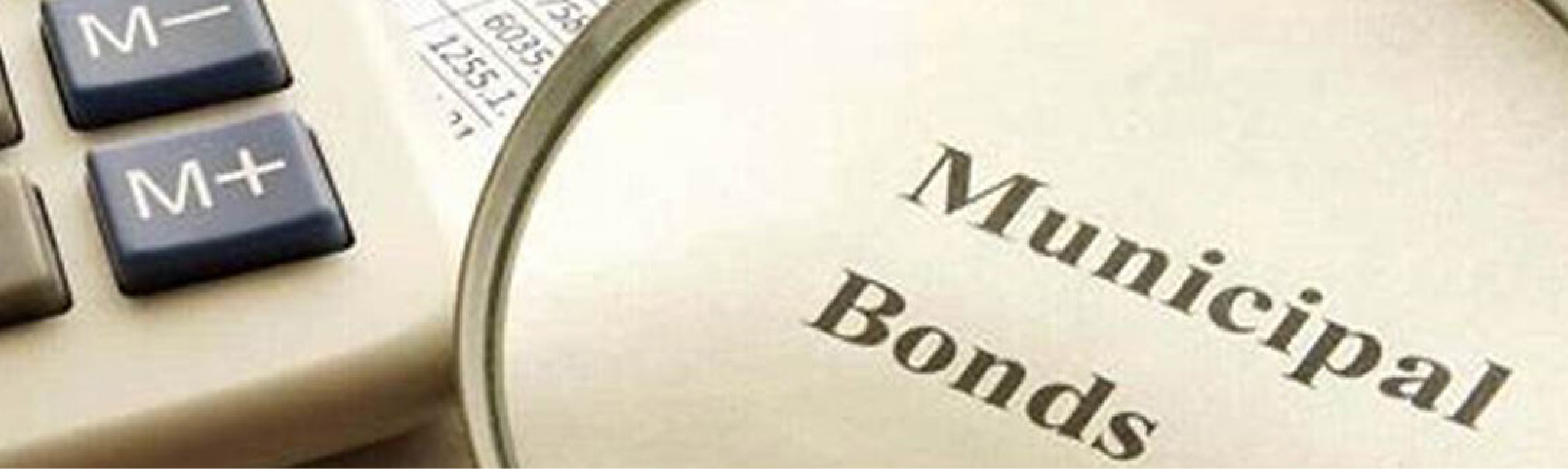
3. The incubation program can be created to help professionalise and get them ready for bond listing, including any legal changes necessary to facilitate their access to capital markets. Notwithstanding this initiative for their professionalization, these companies would still be covered by the GSE Business Development initiative described immediately above. The new GSE Business Development Unit should work with the State Interest and Governance Authority (SIGA), the Ministry of Trade and Industry, Ministry of Agriculture and the National Board for Small Scale Industries (NBSSI) to create the incubation initiative.

CLARIFY THE DEFINITION OF FREE FLOAT

The rationale for this initiative is to increase the minimum public float with the view to increase liquidity, reduce market volatility and assist in better price discovery. This initiative will involve clarifying the definition of free float, restructuring market indices to reflect it, and creating linkages to ongoing free float requirements for listed companies.

PROMOTE INVESTMENT IN PRIVATE EQUITY AND VENTURE CAPITAL

Private equity is an important force in financial markets, accounting for about $200 billion in



investment worldwide each year. But only 10% of it reaches emerging markets and an insignificant portion coming to Ghana. Promoting private equity in Ghana will entail improving the legal framework of venture capital and private equity operations in Ghana and finding solutions to the bottlenecks plaguing the sector. Some of the challenges include the corporate form of private equity funds. Currently, Ghana does not have a limited-liability partnership structure. Thus private equity funds have to be structured as companies limited by shares. This creates the following issues: (a) Taxation of management fees at the fund level instead of at the general partner level, (b) Taxation of the vehicle as a company instead of pass-through tax treatment, and (c) Limited ability for payouts since standard companies cannot distribute in a way that impairs capital, which is not relevant in the case of a private equity fund. This will require working with the Attorney General, the Registrar-General, the Ghana Revenue Authority, and the SEC to fashion a framework that enables private equity and venture capital to thrive if Ghana is to become a financial hub for the sub region.

ESTABLISH SECURITIES LENDING AND BORROWING, AND SHORT SELLING

The Ghana Stock Exchange is developing rules to allow securities lending and borrowing which will go a long way to improve liquidity and increase trading volumes. This calls for the gradual introduction of facility for securities loans, supported by an appropriate legal framework. The opening up of the ability to borrow securities and to sell them short should proceed gradually, starting initially with (i) market makers only at first and (ii) only the most liquid securities where short positions can be closed relatively easily.

PERMIT MARGIN TRADING

Many markets have frameworks and guidelines for margin trading which have benefits for market liquidity. Currently, the Ghana Stock Exchange is working on rules to allow margin trading. It is therefore necessary to create a holistic regulatory framework for margin trading including appropriate protections for the firm and for the clients. Training for the SEC and broker-dealers should also precede and accompany the deployment of this initiative.

FACILITATE THE ISSUANCE OF MUNICIPAL BONDS

The passage into law of the draft Local Government Finance Bill, otherwise known as the Municipal Finance Bill, to help cash-strapped districts and municipalities float municipal bonds to raise private capital to finance infrastructural developments has stalled for several years. The aim of this initiative therefore is to address all the issues delaying the passage of the bill into law, address all legal impediments to the issuance of municipal bonds and offer assistance to capable municipalities to issue municipal bonds.

PROMOTE ASSET-BACKED SECURITIES

The Ghana Stock Exchange is in the process of developing new products such as asset-backed securities. Before these new products can come to the market, a legal framework for asset-backed and mortgage-backed securities is necessary. In addition, the creation and marketing of these products will also form part of the actions to be undertaken under this initiative. There is currently one asset-backed security listed on the GSE.

RISK CAPITAL FUNDS

In due course, once the Fund Manager license regime is streamlined and the impaired assets within the fund management industry are resolved, the SEC will consider the creation of risk capital funds to specialize in different areas, such as infrastructure and unlisted equity, and dedicate part of their portfolio to emerging, growth companies. These funds would need to be accompanied by a carefully-constructed governance framework.

INTRODUCE ADDITIONAL COMMODITIES AT GCX AND INCREASE TRADING VOLUMES

Currently, the GCX is trading in 5 commodities – Maize, Soya Beans, Sorghum, Rice and Sesame. The GCX should work to increase the number of commodities traded as well as grow trading volumes systematically with the onboarding of additional members. Commodities such as cashew, groundnut, and other tree crops can be added gradually. The GCX should also explore the feasibility of trading in Ghana's main exports - cocoa and gold, as is done in Ethiopia. Diversity of commodities traded on the Exchange will help increase activity and also hasten the development of derivative products.

REVIEW READINESS FOR COMMODITY FUTURES

Once liquidity and price formation on the existing and planned spot markets on the GCX have become consolidated, and participants are satisfied with warehouse coverage and operations, the GCX, participants and the SEC will want to review the readiness of the market for the creation and introduction of appropriate futures. Implementation will be carried out gradually in order to identify and resolve issues as they arise. This will ensure that instruments match the needs of market actors, and that risks are properly understood and addressed.

FACILITATE THE ISSUANCE OF GREEN BONDS

As a way to mitigate the effects of climate change and environmental degradation, a legal and operational framework needs to be established for the issuance of green bonds. Green bonds and social bonds would increase the range of product offerings in the market, while addressing important environmental and social issues that have gained the attention of financial markets over the last two decades. A green bond is specifically issued to raise funds for climate and environmental projects. A social bond is used to raise funds for social impact projects. Green bonds typically come with tax incentives to enhance their attractiveness to investors. Developing and implementing a framework for the issuance of green bonds will be key to this initiative.

DEVELOP A FRAMEWORK FOR THE ISSUANCE OF INFRASTRUCTURAL BONDS

Challenges with Government's ability to finance infrastructure projects has created a significant infrastructure gap in the country. The aim of this initiative is to enable the capital markets to become a reliable source of financing for infrastructure projects in Ghana. Among the initiatives to be undertaken will include a dialogue between institutional investors and Ghana Infrastructure Investment Fund (GIIF), working with GIIF to create an ongoing supply of investment opportunities, the creation of a repository of infrastructure project data and common performance measures, the training of institutional investors by a consulting firm/ university specialized in infrastructure and the development of appropriate financial incentives (tax incentives, risk-transfer mechanisms such as first loss on investment, etc.).

Pillar 2 2. INCREASING THE INVESTOR BASE	
Investor Base - Specific Strategic Initiatives	
• Promote collective investment schemes	• Develop NPRA guidelines on pre-approved overseas investments
• Conduct training for pension fund trustees	• Undertake insurance awareness program for the public
• Develop relationship with institutional investors overseas	• Long-term incentivized savings schemes
• Undertake roadshows in key overseas investor cities	• Create digital platforms for retail trading

PROMOTE COLLECTIVE INVESTMENT SCHEMES

Collective Investment Schemes make it possible for relatively small investors to obtain diversified investment portfolios with professional management at reasonable cost. The role of CIS is likely to grow in coming years, as increased responsibility is placed on the average citizen, as opposed to governments or companies, in meeting critical needs such as education, retirement and health care. In this context, CISs can be used, either alone or in combination with other forms of institutional savings, such as pension funds and insurance products, to enable individuals to meet their financial planning goals. In Ghana, even though CIS assets have been rising sharply over the past five years, the number of investors relative to other investment vehicles is low. Scaling up the promotion of CISs will help attract individual portfolio funds.

SEEK NPRA CLARIFICATION OF GUIDELINES ON PRE-APPROVED INTERNATIONAL INVESTMENTS

The benefits of investing internationally cannot be overemphasized. Apart from providing foreign currency-indexed real returns, and greater and cheaper leverage options, international investments help in diversifying risk within a pension portfolio. This initiative seeks to enable international investments by creating criteria for investment in high quality investments, effectively pre-approved, so as to expand awareness of trustees and Fund Managers. These criteria might include for example pre-approval of sovereign bonds issued by OECD countries, or international investment grade securities listed on exchanges whose regulators are full members of IOSCO.

LONG-TERM INCENTIVIZED SAVINGS SCHEMES

The SEC will work with Fund Managers and pension funds to create appropriate new incentivized savings schemes for long-term investment. The schemes would in particular promote consistent investment by salaried persons and other retail investors while offering some tax advantages on gains. The incentives that apply to the schemes should be attached to conditions such as a long-term goal like home ownership or retirement, restrictions on early withdrawal, and a requirement to have much of the savings invested in capital instruments.

CONDUCT TRAINING FOR PENSION FUND TRUSTEES

Rapid pension sector growth puts pressure on service delivery, customers, and regulatory aspects, which makes capacity building an urgent priority. Unfortunately, there is limited skill set of personnel working in the pensions sector. Pension fund trustees will need to refresh their knowledge on investments. The NPRA and the SEC will collaborate to enhance knowledge of pension industry practices.

UNDERTAKE INSURANCE AWARENESS PROGRAM FOR THE PUBLIC IN COLLABORATION WITH NIC

Ghana's insurance sector is small with significant room for growth given its young population structure. There is a general lack of public awareness with little understanding of the purpose of insurance and a sense of mistrust of insurance companies. The purpose of this initiative is to bring insurance awareness to the general public. Awareness of insurance products will help retail investors manage personal risks better and increase their appreciation of capital markets. Furthermore, the insurance sector is key to growing the capital market as players can invest their insurance portfolio in capital market products.

DEVELOP RELATIONSHIPS WITH INTERNATIONAL INSTITUTIONAL INVESTORS

Foreign institutional investors constitute a significant portion of the pool of investors in Ghana. It is therefore imperative that a strong relationship is developed in the form of creating both access to reliable information on the market and to relevant officials of the regulator, SEC, with the aim of managing their expectations and attracting inward investment. This initiative will ensure that reforms and innovations are adequately communicated to investors in a timely and accessible manner.

CREATE DIGITAL PLATFORMS FOR RETAIL TRADING

Digital financial services in Ghana is still developing and there is a huge opportunity for its rapid growth in the capital market. Ghana lags behind other East African countries in terms of digital financial services but has the base conditions for digital financial services to be successful. This initiative is aimed at using digital platforms to improve services to individual investors.

UNDERTAKE ROADSHOWS IN KEY OVERSEAS INVESTOR CITIES

Potential foreign investors will benefit a lot in terms of getting the requisite information about investment opportunities in Ghana. This calls for a systematic development of a roadshow program to showcase new issues aimed at attracting inward investments from potential institutional and individual investors by issuers with potential regional appeal.

Pillar 3 3. STRENGTHENING INFRASTRUCTURE AND IMPROVING MARKET SERVICES	
Infrastructure and Services - Specific Strategic Initiatives	
• Speed up the process of GSE demutualization	• Review processes at CSD
• Undertake a focused training program for professional intermediaries	• Fund the settlement guarantee fund
• Establish continuous professional education for intermediaries	• Develop modern warehousing facilities
• Capital Market Fintech Meetings	• Improve the distribution of market data and information
• Facilitate the establishment of currency trading platform	• Facilitate the integration of West African Capital Market
• Utilize blockchain applications in financial service	

SPEED UP THE PROCESS OF GSE DEMUTUALIZATION

The Ghana Stock Exchange has already started the demutualization process but the pace is slow. The focus of this initiative is to hasten the process of demutualization which is based on conversion to a company that is strongly focused on business development.

REVIEW PROCESSES AT CSD

The aim of this initiative is to bring about efficiency in the operations of the CSD and to help introduce new products that will benefit the capital market.

The actions to be taken will include:

- Review processes - to smooth out processes and facilitate risk management.
- Removal of pre-validation controls - to facilitate short-term trading and as preparation for other trading strategies such as market making and short selling.
- Introduction of buying-in and closing-out regime – to support administration and resolution of any settlement delays and failures at CSD.

UNDERTAKE A FOCUSED TRAINING PROGRAM FOR PROFESSIONAL INTERMEDIARIES

In spite of progress made in the development of the capital market, a significant number of professionals in the sector have received minimal training beyond the entry-level courses provided by the GSE. As the markets grow, it will be important to ensure that mid-level and senior professionals have the requisite skill and understanding of the legal and regulatory regime and related recent reforms to perform and grow the industry. The recent collapse of many financial institutions attests to this fact. This calls for a "Big Push" focused training program for industry professionals including ethical behavior and proper conduct to bring all firms up to similar levels.

FUND THE SETTLEMENT GUARANTEE FUND

Although the settlement guarantee fund has been created at the CSD, it is not adequately funded. The objective of this initiative is to fund the settlement guarantee fund in order to perform the following functions:

- To meet default obligations, shortfalls, deficiencies and or any other defaults during clearing and settlement.
- To enhance investors' confidence in the securities market of Ghana.
- To guarantee that settlements for Depository Participants are executed as scheduled.

ESTABLISH CONTINUOUS PROFESSIONAL DEVELOPMENT (CPD) FOR INTERMEDIARIES

A well-crafted and delivered continuous professional development scheme is important because it delivers benefits to the individual, their profession and the public. CPD ensures that capabilities keep pace with the current standards of others in the same field. It helps maintain and enhance the knowledge and skills needed to deliver a professional service to customers and clients. The Ghana Investment and Securities Institute will lead in the development of a comprehensive CPD framework that will be reviewed by the SEC as requirements for senior management of market operators. This will ensure that professionals in the industry remain current with the regulatory and operational landscape and also invest adequately in human capital to drive innovation and industry growth.

IMPROVE DISTRIBUTION OF MARKET DATA AND INFORMATION TO INVESTORS

Without adequate data distribution of market data and information (such as company announcements), investors cannot be sure that they have all the information that they need for their investment decisions, or at least as much as their counterparts in the market. The GSE must review the way that data and announcements are distributed so as to ensure that the wide investor base that they wish to attract has proper access to this information. Key elements of this framework are:

1. Improve quality and flexibility of information provided by SEC
2. Establish a Financial Data Hub as part of this initiative to host financials of all public companies,
3. Complete digitization of SEC's operations

CAPITAL MARKET FINTECH MEETING

Ongoing communication between the capital market sector and the Fintech companies will be important if the introduction of innovation is to be promoted. This innovation will see the initiation of regular meetings (quarterly or semi-annual, to be defined by members of the group), coordinated by SEC, and attended by GSE, CSD, selected market participants and Fintech companies in Ghana. The meetings will discuss market needs and opportunities, as well as regulatory obstacles to technological development within the market.

FACILITATE THE DEVELOPMENT OF MODERN WAREHOUSING FACILITIES FOR GCX

A well-developed commodities market in Ghana has the potential to revolutionize the agricultural sector which is the mainstay of the economy. As part of its plans to deepen its warehouse receipt system to cover the whole span of commodities available in Ghana and other nearby West Africa countries, there is the need for GCX to build modern warehouses across the country.

FACILITATE THE ESTABLISHMENT OF CURRENCY TRADING PLATFORM

Working with the Bank of Ghana and the Ghana Stock Exchange, a currency exchange trading platform can be established to facilitate the trading of the cedi with the G10 major currencies and regional currencies. This will promote transparency in foreign exchange dealings in the country and also assist the central bank have valuable data on FX transactions. The Bank of Ghana will use the exchange's infrastructure to implement monetary policy and provide liquidity to the market through FX transactions.

FACILITATE THE INTEGRATION OF WEST AFRICAN CAPITAL MARKET

The process for integrating the region's capital market started in 2010 with the signing of a Memorandum of Understanding (MoU) by the stock exchanges and the regulatory authorities in the region to deepen cooperation, promote mutual assistance and facilitate the exchange of information and consultations among countries. A governing council has been inaugurated called the West Africa Capital Markets Integration Council (WACMIC). This platform is also complemented by the West Africa Securities Regulators Association (WASRA). Ghana will benefit from the integration in terms of the creation of a broader capital market and the facilitation of the fulfilment of its aspiration as the financial hub of West Africa. Ghana needs to play a catalyst role to bring about the following:

- Harmonization of trading, clearing depository and settlement framework
- IntegratedTradingplatforms
- Harmonization of listing and regulatory requirement
- Creation of Qualified West Africa Brokers (QWAB) and common passport

UTILIZE BLOCKCHAIN APPLICATIONS IN FINANCIAL SERVICES

The emergence of crypto currency brought to light how blockchain's properties make it ideal for financial applications. Blockchain facilitates safe, easy transactions, and builds trust between trading partners. It can even be used to quickly identify individuals through digital IDs. Many financial institutions in both the developed and emerging economies are therefore investing in blockchain solutions. Ghana cannot be left behind in the use of this technology. It is therefore necessary to explore the usage of blockchain in the following:

1) Clearing and Settlements: The accurate recording capabilities of blockchain may make current clearing and settlement procedures redundant, resulting in faster transactions and reduced costs for financial institutions, and

2) Cross-border transactions: Transferring money across borders has traditionally been slow and expensive, since systems typically pass through multiple banks on the way to the payment's final destination. Blockchain, can make the process faster, more accurate and less expensive.

Pillar 4 4. IMPROVING REGULATION, ENFORCEMENT AND MARKET CONFIDENCE	
Regulation and Confidence - Specific Strategic Initiatives	
• Improve SEC financial and human capacity	• Implement Conduct of Business Guidelines
• Resolve the impairment of portfolio account assets	• Implement a coordinated investor education program
• Create investor protection fund	• Simplify structure of CIS
• Outsource insurance portfolio fund management	• Require a standardized investment performance reporting
• Strengthen and enforce corporate governance standards	• Improve SEC powers to enforce laws and regulation, including resolution powers
• Improve licensing regime	• Acquire surveillance system
• Implement risk-based supervision	• Attain IOSCO Signatory A status
• Passing of the insurance bill	• Develop regulation for crowdfunding
• Establish a regulatory sandbox	• Implement the role and regulation of SROs
• Implement AML/CFT Guidelines and monitoring capacity	

IMPROVE SEC FINANCIAL AND HUMAN CAPACITY

It is critical to ensure that the capital market regulator can protect vulnerable investors before opening up significant new investment opportunities for them. This means SEC must be resourced to play its vital role. This will mean increasing financial and human resources for SEC, hiring experienced professional staff and delivering internal capacity building training programs consistently. Financial resourcing options to be considered could include an annual budgetary amount, determined through a pre-agreed formula for a specific period (e.g. the next five years, so as to avoid the need for renegotiation every year), a perpetual fund to be invested by SEC in GoG bonds, and additional fees collected from other parts of the financial sector benefiting from SEC but not currently contributing, such as Pension Funds.

IMPLEMENT THE ROLE AND REGULATION OF SELF-REGULATORY ORGANIZATIONS

The current legal framework incorporates the recognition of Self-Regulatory Organizations (SROs) which are empowered to create and enforce rules relevant to their field of activity. The SEC will monitor their rules to ensure appropriateness and that they are being adequately monitored and enforced by the SRO, but otherwise they represent a delegation of some of the responsibilities of the SEC. Usual candidates for SROs are stock exchanges, clearing houses and industry associations such as the Ghana Securities Industry Association (GSIA).

IMPLEMENT CONDUCT OF BUSINESS GUIDELINES

This will include proper transition arrangements that recognize an immediate application of all matters relating to fair treatment of clients and prioritization of their interests. Proper conduct is at the heart of securities regulation. While the risk of misconduct is real in all of the financial sector, it is particularly relevant to securities market for many reasons including the following:

- The asymmetry of information between firms and their customers is extreme.

- Even the simplest securities instruments are relatively complex compared to classic banking and insurance products. More complex instruments may be challenging for even well-informed customers (or the brokers themselves) to properly appreciate,

- Customers are often uninformed about even the simplest instruments and often reluctant to become more engaged, preferring to rely on a trusted broker,

- Brokers are highly dependent on client commissions for their own remuneration. This creates pressure to generate trading activity and therefore a potentially significant conflict between the interests of the broker and those of their client,

- There usually is a wide range of instruments available for a firm to offer a customer at any one time, with new products appearing regularly, and

- Firms often have direct conflicts of interest that are difficult for even a well-informed customer to spot, understand, avoid or manage: a firm may have been involved in the structuring of the instrument it is selling; a firm may be selling off a proprietary position; a broker may be selling securities from the account of another customer with whom they have a closer relationship.

RESOLVE THE IMPAIRMENT OF PORTFOLIO ACCOUNT ASSETS

Following the SEC's sanitisation efforts in 2019 and the BoG's cleanup in 2018-2019, there is the need to enhance liquidity for the remaining Fund Managers and enhance investor confidence. This is important for investors who are finding it difficult to redeem their investments. This situation poses a greater hindrance to capital formation and economic growth especially in an underdeveloped country where capital is scarce. There is the need to establish an investor protection fund to mitigate the fiscal impact of such future occurrences and in market dislocation events. One of the key actions to be taken to win back confidence is facilitating the redemption of impaired portfolios. This means that the impaired portfolio account assets must be ring-fenced, quantified and resolved.

IMPLEMENT A COORDINATED INVESTOR EDUCATION PROGRAM

As the investing populace grows, enhancing their knowledge will become more and more important. Growing awareness of risks and returns, personal financial planning, rising income levels, planning for retirement as the economy matures will help individuals make financial decisions that are more important to their future well-being especially as the level of financial literacy for most local investors and the skills set of investment professionals are relatively low. This calls for a regular, sustained and well-planned financial education campaign for all stakeholders in the markets.

CREATE INVESTOR PROTECTION FUND

The recent situation where many investors are finding it difficult to redeem their investments with asset management companies has highlighted the need for the establishment of an Investor Protection Fund (IPF) by the Securities and Exchange Commission with the aim of compensating retail investors whose investments are impaired through the misconduct of asset management firms.

SIMPLIFY STRUCTURE OF CIS

Collective Investment Schemes, open to subscription by the public, can take one of two forms: Mutual Funds and Unit Trusts. Each of these has a different regulatory and governance structure and implication. Unit Trusts, per local law, has a relatively weaker governance framework since the trustees often serve as custodians. There is the need to create a single framework to avoid confusion, ensure accountability and minimize arbitrage.

REQUIRE INSURANCE COMPANIES TO OUTSOURCE THEIR INSURANCE PORTFOLIO TO FUND MANAGERS

Insurance portfolios are carrying significant levels of impaired assets. The reason for this trend is that many insurance firms lack the requisite technical expertise to manage portfolios professionally. In addition, NIC does not enforce adherence to the asset allocation of insurance portfolios stipulated in its investment guidelines. The aim of this initiative therefore, is to ensure that insurance funds are professionally managed and channeled to the capital market.

REQUIRE A STANDARDIZED INVESTMENT PERFORMANCE REPORTING

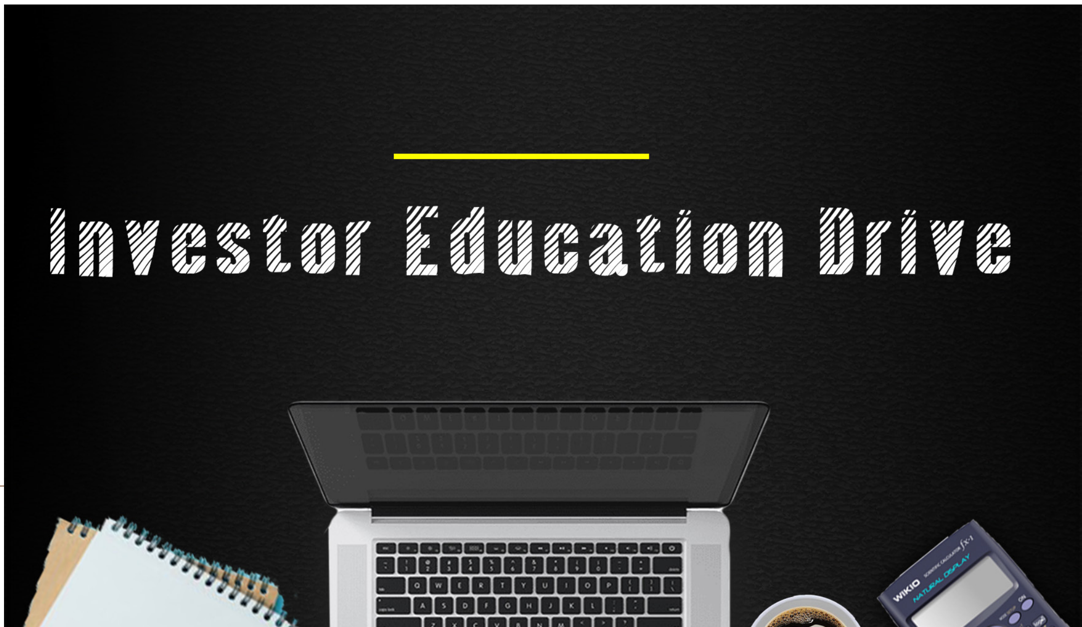
There is a wide variation in investment performance reporting by asset management firms which has not helped build investors' confidence. There is the need for consistency among investment management firms of the way returns are calculated and displayed in a performance presentation to ensure full disclosure and fair representation of their investment performance.

STRENGTHEN AND ENFORCE CORPORATE GOVERNANCE STANDARDS

Among the reasons cited for the recent failure of several financial institutions is the lack of adherence to corporate governance standards which makes it imperative to strengthen and enforce corporate governance structures of financial institutions in the capital market. There is the need to create specific mandatory governance standards for regulated entities, and an appropriate "comply or explain" code for listed companies, tailored to Ghana's market.

IMPLEMENT AN ENHANCED LICENSING REGIME

The low barrier to obtaining an asset management license has brought to the market many unfit fund management institutions whose activities have short changed investors. The objective of this initiative is to tighten the licensing requirements by ensuring that entrants have adequate resources to operate, personnel are duly qualified and experienced, , and fit and proper hurdles.



This could include clearer distinctions between firms able to give investment advice only, those able to manage client accounts and those allowed to manage public-offer CISs.

ACQUIRE SURVEILLANCE SYSTEM

To be effective capital markets operator and regulator, the GSE and SEC must have comprehensive, real-time data about the capital market and the ability to analyze market behavior through the acquisition of a market surveillance system. The GSE and SEC must have this surveillance system and the tools to analyse data from it so as to spot egregious conduct, identify trends in the market, and re-construct market movements accurately.

IMPROVE SEC POWERS TO ENFORCE LAWS AND REGULATIONS

SEC's power to enforce laws and regulation is limited due to the nature of the legal framework that governs its operations. There is the need to improve the legal powers of SEC so that it can enforce laws and regulations and impose meaningful proportionate fines.

IMPLEMENT RISK-BASED SUPERVISION

Risk-Based Supervision (RBS) is gradually becoming the dominant approach to regulatory supervision of financial institutions around the world. It is a comprehensive, formally structured system that assesses risks within the financial system, giving priority to the resolution of those risks. In line with current market trends and the current financial crisis due to the failure of many financial institutions in Ghana, it is imperative for the regulators to double their effort towards implementing risk-based supervision.

BECOME SIGNATORY TO IOSCO MOU

SEC needs to make the necessary changes in order to Act 929 in order to become signatory to IOSCO Multilateral Memorandum of Understanding. This will mean implementing best practices as a securities regulator in accordance with IOSCO's principles which will enhance SEC's capacity as a regulator.

FACILITATE THE PASSING OF THE INSURANCE BILL

Many of the elements of the bill are already being applied in the market place. The bill deals with governance of the insurers where insurers will be required to establish risk management policies, separate risk oversight from management and publish a code of corporate governance. Another area of the bill deals with a more sophisticated solvency requirement. Unfortunately, the passage into law of the bill has delayed making NIC lack the necessary legal backing to implement stricter measures for the safety and soundness of the insurance industry.

DEVELOP REGULATION FOR CROWDFUNDING

Crowdfunding has been trending over the past few years. It serves as an alternative form of fund raising from the public. It is important therefore for SEC to develop clear regulations, aimed at protecting public and informing decisions, without opening up riskier issuance risks.

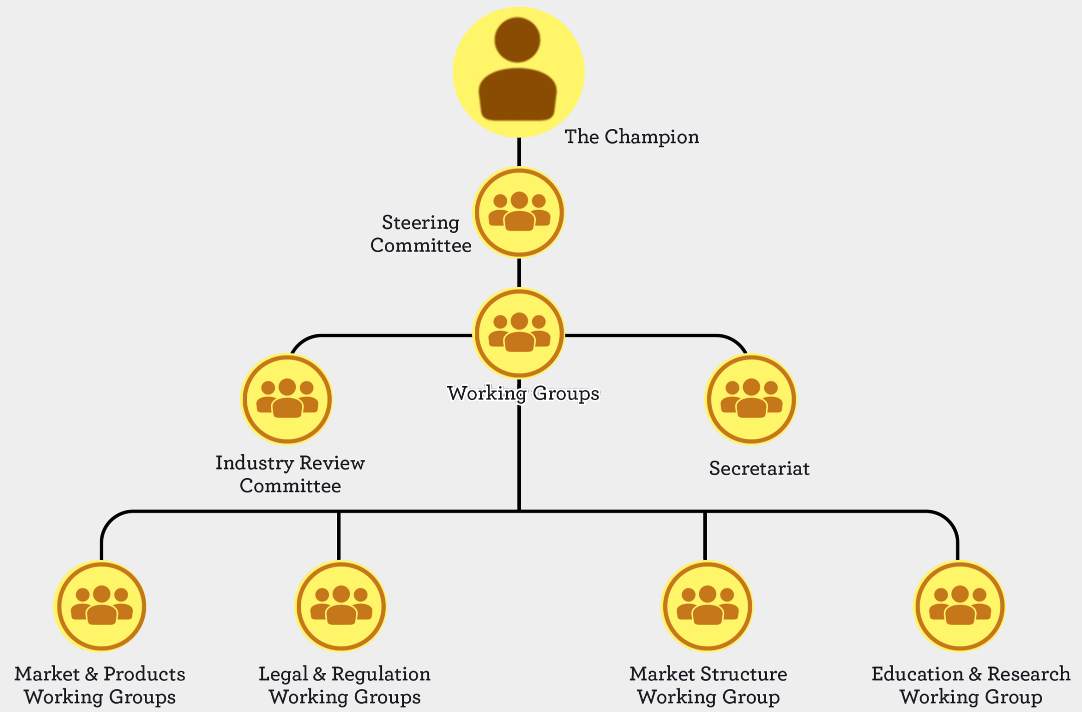
IMPLEMENT THE REGULATORY SANDBOX

As the market develops and technology application in the capital market increases, it becomes necessary therefore to launch a framework for the testing of innovative, Fintech solutions and the identification of appropriate regulatory frameworks for them. The essence of this initiative is to promote product development and innovation. The Commission has developed guidelines that need to be implemented in this regard.

GOVERNANACE OF THE DEVELOPMENT PLAN

91. The governance structure is designed at four levels consisting of a Champion, a Steering Committee, an Industry Review Committee and a Secretariat.

FIGURE 17: THE GOVERNANCE STRUCTURE OF THE DEVELOPMENT PLAN



CHAMPION

92. A champion is a person who provides strong leadership for, and rigorously defends a cause.

93. This project has a very large number of stakeholders each of whom has a different set of interests and agendas. It needs a publicly known and easily identified champion behind whom these stakeholders can rally. It needs to be somebody with credibility in the financial sector, who can represent the vision convincingly and who will be able to negotiate lasting agreements between the participants. The **Minister for Finance** will serve as the Champion of the Capital Market Master Plan, and will mobilize support from a whole of government perspective given the far-reaching implications of effective execution of this plan.

STEERING COMMITTEE

94. As indicated, a Steering Committee will be formed to oversee the implementation of the Capital Market Master Plan. This Steering Committee will be the ultimate authority in matters relating to initiatives, priorities and timings.

95. The Steering Committee will monitor and direct the progress of the plan, with reports coming from the working group via the secretariat. The Steering Committee will resolve issues arising at the working group level, whether these be matters of design, of new obstacles emerging, of conflicts in the priorities of different working groups or of changes required to plans. It is proposed that the Steering Committee include senior representatives from the MoF, BoG, SEC, GSE, GCX, NPRA,

NIC, CSD and GSIA, and that they meet at least every four months. It is further proposed that the Director-General (DG) of SEC be the chair for this committee. The Steering Committee will have at least the following three key objectives:

a) Direction – drive and direct progress on implementation and ensure it remains focused on the sustainable economic development of Ghana

b) Oversight – monitor progress and results and resolve obstacles and risks as they arise

c) Stakeholders – retain the buy-in and commitment of all stakeholders.

For these reasons, it is vital that the Steering Committee be comprised of persons empowered to take decisions and make commitments on behalf of the entities that they represent.

96. The Steering Committee's overarching role to ensure delivery of market development may encompass a wide range of tasks. These are the tasks usually associated with a project board, and potentially include the following:

- Take key decisions on implementation priorities, timings and strategy
- Identify, recommend and approve funding options
- Review, confirm and take responsibility for key objectives, performance indicators and development targets
- Monitoring risks and ensure that an appropriate risk management approach is applied
- Ensuring the quality of project and controlling changes to the plan as it develops
- Oversee the work of the secretariat and working groups
- Review and approve implementation plans of the working groups
- Review and approve regular progress reports
- Liaise as necessary with Financial Stability Council and other authorities.

97. Table 2 below shows the proposed composition of the Steering Committee.

Table 4: Steering Committee Composition

	Name of Institution	No of Members
1	Securities and Exchange Commission	3
2	Ministry of Finance	3
3	Bank of Ghana	2
4	National Pensions and Regulatory Authority	1
5	National Insurance Commission	1
6	Central Securities Depository	1
7	Ghana Stock Exchange	1
8	Ghana Commodities Exchange	1
9	Ghana Securities Industry Association	2
10	Ghana Association of Bankers	1
11	Chamber of Corporate Trustees	1
	TOTAL	17

INDUSTRY REVIEW COMMITTEE

98. The Industry Review Committee shall be a key committee for consultation with the securities industry. It will be constituted through the Securities and Exchange Commission and the members' breadth of experience shall cover all key areas of the capital market. With support from the Secretariat, the Industry Review Committee shall:
– Meet at least twice a year to consider the progress reports from the Secretariat and hear an update on progress from the Steering Committee
– Discuss development progress and priorities, to ensure proposals continue to meet the changing needs of the market

– Give feedback on the effectiveness of initiatives delivered
– As necessary, develop relevant proposals for consideration by the Steering Committee.

WORKING GROUPS

99. There will be four working groups, as follows:
- Markets and Products
- Legal and Regulation
- Market Infrastructure
- Education and Research

100. The strategic initiatives will each be assigned to one of the four working groups. An outline of the proposed assignation is shown in Table 3 below.

101. Each group will comprise representatives of the entities that are responsible for the delivery of the initiatives assigned to that group. Those representatives must be able to ensure that the entity they represent will follow through on commitments made at the working group level. It may be necessary to have more than one representative from an entity.

102. Each working group will also nominate a member who has good technical knowledge of the work of the group, as group coordinator to support the Secretariat as necessary.

103. It is proposed that the working groups include representatives of at least the following stakeholders:

Table 5: Composition of Working Groups

Working Group	Suggested minimum constituents
Markets and Products	SEC, GSE/GFIM, CSD, MoF, GSIA, investor representatives (pension funds, insurance)
Legal and Regulation	SEC, BoG, NPRA, MoF, GBA, AG, RaD
Market Infrastructure	SEC, GSE/GFIM, CSD, MoF, GSIA, GAB
Education and Research	SEC, GSE/GFIM, CSD, MoF, GSIA, ICAG, MoE, GISI

104. Among the functions of the working groups are as follows:

– Meet as often as necessary (at least quarterly) to plan and control the initiatives that they have been assigned

– Develop their own work plan for the delivery of the initiatives assigned to the group by the Steering Committee

– Develop a detailed implementation plan for initiatives that are to be delivered in the near term, based so far as possible on using resources available to the entities represented on the group

– Develop an estimated costing for the implementation of each initiative. Where external financing is required, they should approach the Steering Committee for these funds

– In so far as it becomes relevant, propose other initiatives critical to the development of capital markets to the Steering Committee

– Help brainstorm solutions to issues arising on their initiatives

– Make recommendations to the Steering Committee on implementation issues and update of the status of implementation.

SECRETARIAT

105. The Secretariat will be the coordinating center for the Capital Market Master Plan. This office will be managed by a Senior Project Manager who has many years of industry experience and has built key relationships within the market. This individual must also understand the vision, the framework and the deliverables of the plan. There will be four working groups with responsibility for the implementation of the plan. The secretariat will work closely with the four working groups.

106. The Secretariat will have the Project Manager and support staff, and will perform project office functions including the following:

– Report to the Steering Committee and carry out any instructions given.

– Coordinate the activities of the working groups.

– Administer the logistics for Steering Committee and Industry Review Committee meetings.

– Provide secretarial assistance to Steering Committee and the working groups.

– Ensure that the working groups have the right membership given their responsibilities and that they are progressing.

– Identify any problems that may impact the delivery of the initiatives on time or on budget and ensure that they are either resolved at the level of working groups or escalated to the Steering Committee.

– Develop a budget for implementation of the initiatives within their various phases, working from inputs from the working groups.

– Monitor, evaluate and report progress to Steering Committee, possibly quarterly.

– Create a data bank of relevant capital market information for use by the Steering Committee and working groups.

– Prepare semi-annual and annual progress reports.

SEQUENCING OF THE INITIATIVES

107. The development of a capital market is a step-by-step process where pragmatic sequencing is of vital importance. The market cannot suddenly mature by introducing sophisticated instruments if the current market products are yet to be assimilated. Bearing this in mind, the development framework for the capital market has been structured in phases as follows:

Phase 1: Making the Market Attractive (2020 – 2022)

This will be the preparatory work where the goal is to restore market confidence, enlighten the understanding of key market participants and resolve fundamental issues plaguing the market especially in the area of regulation. Key strategic initiatives to be undertaken include:

a. Addressing the weaknesses of government bond market

b. Enhance conduct regulation

c. Resourcing Securities & Exchange Commission

d. Implement enhanced licensing regime

e. Sanitizing portfolio accounts

f. Establishing of an investor protection fund

g. Develop additional long-term incentivized savings schemes

h. Introducing market makers

i. Establishing securities lending and short selling for market makers

j. Demutualized status of Ghana Stock Exchange

Phase II: Increasing Competitiveness of the Market (2023 – 2025)

This phase will focus on deepening the quality and breadth of services and facilities in selected strategic niches, such as SOE & SME listing, venture capital industry, etc.

At the same time, there will be continued efforts to strengthen core segments of the capital market.

Key actions to be undertaken are:

a. Deepen SOE and SME pipeline
b. Establish business development unit at GSE to grow SME pipeline
c. Revise Venture Capital Trust Fund Act
d. Deepen synergy between insurance and capital market
e. Bring municipal bonds to the market
f. Launch margin trading
g. Open up short selling and securities loans
h. Introduce asset-backed securities
i. Bring on board forward and futures contract at the commodities exchange.

Phase III: Consolidating the gains made (2026 – 2029)

This phase will focus on bringing to completion the initiatives which were started in the two phases in addition to new initiatives that may be started in this phase. Almost all the initiatives will be started in the first two phases of the master plan.

It must be understood that development may not necessarily occur in such a sequential manner. Thus, depending on the situation, some of the initiatives may be carried out earlier than proposed or later than suggested.

At the time of finalizing this document, several of the initiatives had commenced. This plan seeks to ensure that adequate resources and dedicated teams are committed to driving the initiatives to meaningful outcomes and communicating same to key stakeholders.

108. The Table below shows all the strategic initiatives, indicating the phases of the plan and the Working Group responsible for the initiatives.

Table 6: Strategic Initiatives and Assigned Responsibilities

Steering Committee	SEC resources		
Responsible Group	Phase 1 (2020 – 2022)	Phase 2 (2023 – 2025)	Phase 3 (2026 – 2029)
Markets and Products Working Group	• Strengthen Government Bond market • Deepen Retail access to government bonds • Enhance Conduct Regulation • Develop additional long-term incentivized savings schemes • Introduce Repo Market • Promote Collective Investment Schemes • Grow Wholesale Corporate Bonds • Develop REITS • Develop SOE & SME pipeline for listings • Prepare for futures trading • Expedite passage of municipal finance bill	• Bring SOEs and SMEs to market • Free float review • Deepen collaboration between GSE and GIPC • Comprehensive review of capital market taxation • Implement futures trading in Gold and Cocoa • Commencement of Margin Trading • Issuance of Municipal Bonds • Retail market asset-backed securities • Deepen role of Private Funds in qualified investor portfolios	Completing the initiatives started in first two phases.
Education and Research Working Group	• Expand training of Intermediaries through GISI • Implement sustained and coordinated Investor Education • Establish Investor Protection Fund • Introduce Compulsory Continuous Professional Education • Develop Financial Data Hub	• Strengthen offerings of CPDs • Deepen bilateral and multilateral relationships • Deepen synergy between insurance industry and capital markets • Grow relationships with international investors • Insurance Awareness programme • Conduct local and foreign Roadshows to raise profile of Capital Market	Completing the initiatives started in first two phases.
Market Infrastructure Working Group	• GSE demutualization • Licensing of Credit Rating Agencies • Develop legal framework for market makers • Enhance Market Surveillance System • Finalize securities lending and borrowing guidelines • Enhance CSD processes to allow for pre-validation and buying in • Establish Capital Market Fintech Forum	• Introduce Mandatory Credit Ratings • Enhance CSD settlement guarantee fund • Deepen Digital retail platforms for trading • Open up Short Selling / Securities Lending	Completing the initiatives started in first two phases.
Legal and Regulatory working Group	• Implement enhanced Licensing Regime • Complete sanitization of Portfolio Accounts (Fund Managers) • Improve SEC Powers in the Act • Review regulatory framework for CIS • Review BoG Tier 2 Capital requirements on bond issuances • IOSCO MMoU Signatory A • Review Insurance Bill • Clarify NPRA guidelines on international investments • Implement framework for Regulatory Sandbox • Build out the role and regulation of SROs	• Crowd funding regulation • Revision of VCTF Act • Strengthen deployment of Risk-Based Supervision • Clarify Public Offer framework • Consolidate and enhance regulatory framework	

MONITORING THE DELIVERY OF THE PROJECT

109. The Steering Committee will need to ensure that monitoring is in place at several different levels, including the following:

Monitoring the delivery of the vision as a whole	Monitoring initiative delivery for time	Monitoring the delivery for cost
The Steering Committee will need to choose metrics that will best serve to demonstrate the advances made towards the vision. This is discussed further below.	At the level of the Working Groups, there will need to be careful monitoring of the progress of the groups in the delivery of their initiatives. This is likely to be best done through the creation of project plans for the various initiatives anchored around the delivery of clear and identifiable milestones at regular intervals. The completion of tasks and the delivery of those milestones will comprise the heart of the monitoring.	The Steering Committee, through the Secretariat, will also be responsible for monitoring the cost of the project, particular, the external costs. For this monitoring to be effective, when the Working Groups are building their detailed implementation plans for the various initiatives, they will need to estimate the external costs of each initiative. There is a cost estimate provided in a later section, but this is only for initial guidance of the Steering Committee and has been calculated on a broad basis, without reference to detailed plans by experts in the field. Cost estimates by the Working Group will be informed by the actual plan for implementation and by knowledge of costs in situ.

Monitoring delivery of the vision.

110. The Steering Committee will be the ultimate authority responsible for the delivery of the vision: “a deep, efficient and well-diversified capital market with a full range of products attractive to domestic and international investors”. As a part of meeting this responsibility, it will need to identify key development indicators that it will use to monitor progress in the creation of a deep, efficient and attractive market. This includes setting challenging but plausible targets for those indicators.

111. As a starting point in that process, the following are offered up as a first draft of potential indicators and targets for the Steering Committee to consider. Reaching targets is of course subject to being able to count on critical success factors, which are also discussed below:

TABLE 5: POTENTIAL KEY DEVELOPMENT INDICATORS

Potential key development indicators	Baseline 2018	5-year target 2024	10-year target 2029
Market depth, attractiveness and confidence			
Absolute amount raised per year in equity	GH¢2..02 Billion	GH¢6.0 Billion	GH¢15.2 Billion
Absolute amount raised per year in bonds	GH¢20.88 Billion	GH¢40.00 Billion	GH¢52.00 Billion
Turnover of equity market (annualized trading value/ market capitalisation)	1.1 percent	10%	15%
Turnover of bond market (annualized trading value/ aggregate nominal value)	44.4 percent	55%	70%
Market Capitalisation as a percentage of Ghana GDP	20.3 percent	40%	50%t
Number of securities with market makers	None	10	15
Percentage of corporate bond issuance by banks	None	20%	30%
Absolute value of assets under management in Collective Investment Schemes	GH¢2.5 Billion	GH¢15.2 Billion	GH¢37.8 Billion
Absolute value of assets under management in managed accounts	GH¢14.2 Billion	GH¢17.1 Billion	GH¢27.5 Billion
Number of active CSD accounts	971,403	2 Million	4 Million
Percentage of population investing with Fund Managers	1.7 percent	5.0%	11.0%
Effectiveness of SEC			
Number of professional regulatory staff at SEC	29	65	75
SEC Income (not including fines)	GH¢13,115,452	GH¢56,000,000	GH¢113,000,000
Percent of Market Operators Inspected (percent)	20	35	50
Number of enforcement actions taken by SEC (not for administrative matters such as late filing)	11	30	50
Number of people passing certification programs for entry into the industry	Survey Needed		
Number of people attending CPD courses (cumulative)	N/A	400	1,000

Critical Success Factors

112. For the Steering Committee to set any targets for these key development indicators it should be clear about the assumptions and success factors that will need to be in place for the targets to be met. In addition to the preconditions mentioned earlier, these include the following:

- Maintenance of political, social and economic stability
- Macroeconomic management continues to be strengthened
- No severe external economic shocks
- The Steering Committee is able to source adequate financing for the project and to maintain control and direction of the project
- An effective Secretariat can be created
- All key participants can meet the commitments they make in the working groups
- Adequate financial and human resources can be found to boost the capacity of the SEC.

COSTS OF DEVELOPMENT

113. The costs of the implementation will include many different classes of costs, which for simplicity are categorized into the following groups:

a) Internal costs of market actors – which participants meet as part of their own development. These include costs of systems updates and additional resources required (human and financial) for new services offered or new functions undertaken, changes to risk management and compliance processes, and technical and legal assistance to support the creation of new regulatory frameworks and the evolution of the firms. These costs will depend on the exact plans of the Working Groups for the implementation of the initiatives and the circumstances and strategic intentions of each firm. They will be estimated and met by participants as the program develops.

b) Large-scale cross-entity initiatives, such as the demutualization of the GSE, the acquisition and deployment of appropriate surveillance systems, the design and introduction of new markets, the resolution of the portfolio accounts issues, and training programs to bring participants and authorities up to capacity and to keep them there. The costs of these initiatives will depend on the detail and scope of the Working Group plans and will be estimated at that stage. They may, of course, vary enormously depending on the underlying assumptions.

c) Incremental external costs directly related to the program – these include the costs of the Secretariat, the logistics of running new bodies such as the Steering Committee and the Working Groups and the costs of creating new regulations appropriate for the market and acceptable to all participants. These will also depend on exact details but as a guide to these, assuming a three-person secretariat with qualified and credible professionals, it is estimated that the team will cost no less than USD 200,000 per year. The logistics around the meetings of the main bodies (Steering Committee, Industry Review Committee and Working Groups are estimated to cost up to USD 50,000 per year assuming that all persons attend as representatives of interested stakeholders and not on the basis of any fees paid). If external consultants are brought in to draft the regulations required to support all the proposals set out above, this could be costly. It is emphasized, however, that external experts can only bring so much to these regulatory frameworks. They can only work off international examples and lessons learned; it will therefore be essential for them to be closely accompanied by the market authorities and actors so as to ensure that the frameworks are appropriate for Ghana and actually workable in the context in which they will be implemented.

Internal Cost of Market Actors

a. Cost of systems updates
b. Additional resources required for new services offered
c. Changes to risk management and compliance processes
d. Technical & Legal assistance to support the creation of new regulatory frameworks

Large-scale cross-entity initiatives

a. Demutualization of the GSE
b. Acquisition and deployment of appropriate surveillance systems
c. Design and introduction of new markets
d. Resolution of the portfolio accounts issues, and training programs

Incremental external costs directly related to the program

a. Costs of the Secretariat, the logistics of running new bodies such as the Steering Committee and the Working Groups
b. Costs of creating new regulations appropriate for the market and acceptable to all participants

APPENDIX

TABLE 7: FTSE RUSSELL – FTSE COUNTRY EQUITY CLASSIFICATION CRITERIA

CRITERIA	DEVELOPED	ADVANCED EMERGING	SECONDARY EMERGING	FRONTIER
World Bank GNI Per Capita Rating (Atlas Method)				
Credit Worthiness				
Market & Regulatory Environment				
Formal Stock market regulatory authorities actively monitor market (e.g., SEC, FSA, SFC)	*	*	*	*
Fair and non-prejudicial treatment of minority shareholders	*	*		
No or selective incidence of foreign ownership restrictions	*	*		
No objection to or significant restrictions or penalties applied to the investment of capital or the repatriation of capital and income	*	*	*	*
No or simple registration process for international investors	*	*		
Foreign Exchange Market				
Developed foreign exchange market	*	*		
Equity Market				
Brokerage - Sufficient competition to ensure high quality broker services	*	*	*	
Transaction costs - implicit and explicit costs to be reasonable and competitive	*	*	*	
Stock lending permitted	*			
Short sales permitted	*			
Developed Derivative market	*			
Off-exchange transactions permitted	*			
Efficient trading mechanism	*	*		
Transparency - market depth information/ visibility and timely trade reporting process	*	*	*	*
Clearing, Settlement and Custody				
Settlement - Rare incidence of failed trades	*	*	*	*
Settlement Cycle (DvP)	*	*	*	*
Central Securities Depository	*	*	*	
Central Counterparty Clearing House (Equities	*	*		
Settlement - Free delivery available	*			
Custody-Sufficient competition to ensure high quality custodian services	*	*	*	
Account Structure operating at the Custodian level (Securities and cash)	*			

TABLE 8: FTSE RUSSELL – MINIMUM INVESTABLE MARKET CAP AND SECURITIES COUNT CRITERIA

For **Emerging** markets, the new minimum investable market cap and securities count requirements are as follows:

1. For Entry - the combined investable market cap of the eligible securities is greater than 10 basis points of the FTSE Emerging All Cap Index, and **a minimum of 5 securities** meet the FTSE Global All Cap Index eligibility screens.

2. For Exit (i.e. to be placed on the Watch List) - the combined investable market cap of the eligible securities falls below **5 basis points** of the FTSE Emerging All Cap Index, or the number of eligible stocks decreases to **2 or fewer.**

Secondary Emerging	Minimum Stock Requirement	FTSE Emerging All Cap	Investable Market Cap*	GNI
Entry	5	10 Basis Points	USD 6.03bn	Lower Middle
Exit	2	5 Basis Points	USD 3.02bn	

Data as of close 31 December 2019

In case of reply the Number and date of this Letter should be quoted

Our Ref. No. FSD/CMWG/0.3/18
Your Ref. No.......................

Tel.: 0302 - 747197 Ext. 6715
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REPUBLIC OF GHANA

MINISTRY OF FINANCE
P. O. BOX MB 40
ACCRA

26th....**MARCH, 2018**

27 MAR 2018
Received By

CAPITAL MARKET WORKING GROUP

As stated in the 2018 Budget Statement and Economic Policy, the Government is committed to implementing various reforms needed to transform Ghana's capital market to ensure the provision of long term funds to aid economic growth.

2. As a result, a Capital Market Working Group is being formed to spearhead the agenda. The Group's mandate is to develop a capital market master plan that will shape the future of the industry in the next 10 years. Attached is the Group's Terms of Reference.

3. You are by this letter invited, per the list below, to serve as a member on the Working Group.

No.	Representative / Alternative	Institution
1	Richard Obuobi	Task Lead
2	Paul Ababio	Securities and Exchange Commission
3	Jacob Aidoo	Securities and Exchange Commission
4	Emmanuel Ashong-katai	Securities and Exchange Commission
5	Stephen Opata	Bank of Ghana
6	Ekow Afedzie	Ghana Stock Exchange
7	Marian Mensah	Ministry of Finance
8	Zakaria Amidu Issahaku	Ministry of Finance
9	Kobla Nyaletey	Barclays Bank GH. Ltd
10	Richard Annor	Standard Chartered Bank GH. Ltd
11	Nii Ampa-Sowa	Databank Asset Mgt. Services Ltd
12	Alex Asiedu	Stanbic Bank GH. Ltd
13	Ato Barnes/ Dela Zumanu	Independent Secretaries

4. The Working Group is required to co-opt additional members if necessary to meet its skills requirement. A strong commitment of the Working Group is crucial to ensuring that this policy objective of Government is successful.

5. Please do not hesitate to contact the Financial Sector Division of the Ministry of Finance via fsdivision@mofep.gov.gh or 0244383253 / 0247622486 for any further information.

6. I look forward to a dedicated working group and a successful execution of this mandate.

CHARLES ADU BOAHEN
DEPUTY MINISTER
FOR: MINISTER

DISTRIBUTION LIST ATTACHED

Cc: Hon. Minister, MoF
Chief Director, MoF
Director, FSD, MoF

09. Glossary of Terms

A

Asset

An item of property owned by a person or company, regarded as having value and available to meet debts, commitments, or legacies.

Asset Class

A grouping of investments that exhibit similar characteristics and are subject to the same laws and regulations. Asset classes are made up of instruments which often behave similarly to one another in the marketplace.

Asset Management

Refers to the management of investments on behalf of others. The process essentially has a dual mandate - appreciation of a client's assets over time while mitigating risk.

Asset-Backed Securities

A type of financial investment that is collateralized by an underlying pool of assets—usually ones that generate a cash flow from debt, such as loans, leases, credit card balances, or receivables.

B

Bankruptcy

Bankruptcy is a legal proceeding involving a person or business that is unable to repay their outstanding debts.

Blockchain

A blockchain is a type of database which collects information together in groups, also known as blocks, that hold sets of information. Blocks have certain storage capacities and, when filled, are chained onto the previously filled block, forming a chain of data known as the "blockchain."

Bond

A bond is a fixed income instrument that represents a loan made by an investor to a borrower (typically corporate or governmental).

Broker-Dealer

A Broker-Dealer (B-D) is a person or firm in the business of buying and selling securities for its own account or on behalf of its customers.

C

Capital Market

Capital markets are venues where savings and investments are channelled between the suppliers who have capital and those who are in need of capital.

Collective Investment Scheme

It is any arrangement with respect to property of any description, including money, the purpose or effect of which is to enable persons taking part in the arrangements (whether by becoming owners of the property or any part of it or otherwise) to participate in or receive profits or income arising from the acquisition, holding, management or disposal of the property or sums paid out of such profits or income.

Commodity

A commodity is a basic good used in commerce that is interchangeable with other goods of the same type.

Corporate Bond

A corporate bond is a type of debt security that is issued by a firm and sold to investors.

Cross-Border Transactions

The transaction between two entities from different countries, territories etc. These transactions do not take into account territorial limit or boundaries.

Crowdfunding

Crowdfunding is the use of small amounts of capital from a large number of individuals to finance a new business venture.

D

Data Bank

A large collection of information that can be searched through quickly, especially by a computer.

Debt Market

The bond market—often called the debt market, fixed-income market, or credit market—is the collective name given to all trades and issues of debt securities.

Demutualization

Demutualization is a process by which a private, member-owned company, such as a co-op, or a mutual life insurance company, legally changes its structure, in order to become a public-traded company owned by shareholders.

Depository Account

Depository Account means any account of the Client or for the Client with an entity registered as a depository participant as per the relevant regulations in which the securities comprising part of the portfolio of the client are kept by the portfolio manager.

Digital Platform

A digital platform can be thought of as the sum total of a place for exchanges of information, goods, or services to occur between producers and consumers as well as the community that interacts with said platform.

Diversification

Diversification is a risk management strategy that mixes a wide variety of investments within a portfolio.

E

E-Bond

E-bonds refer to a joint European sovereign bond (Eurozone common bond) issued by European Debt Agency.

Equity Market

An equity market is a market in which shares of companies are issued and traded, either through exchanges or over-the-counter markets.

Equity

A bond is a fixed income instrument that Equity, typically referred to as shareholders' equity (or owners' equity for privately held companies), represents the amount of money that would be returned to a company's shareholders if all of the assets were liquidated and all of the company's debt was paid off in the case of liquidation.

Eurobond

A Eurobond is a debt instrument that's denominated in a currency other than the home currency of the country or market in which it is issued.

F

Fixed Income

Fixed income broadly refers to those types of investment security that pay investors fixed interest or dividend payments until its maturity date.

G

GDP

Gross Domestic Product (GDP) is the total monetary or market value of all the finished goods and services produced within a country's borders in a specific time period.

Green Bond

A green bond is a type of fixed-income instrument that is specifically earmarked to raise money for climate and environmental projects.

I

Inflation

Inflation is the decline of purchasing power of a given currency over time. A quantitative estimate of the rate at which the decline in purchasing power occurs can be reflected in the increase of an average price level of a basket of selected goods and services in an economy over some period of time.

Infrastructure

Infrastructure is the general term for the basic physical systems of a business, region, or nation.

Insolvency

Insolvency is a term for when an individual or company can no longer meet their financial obligations to lenders as debts become due.

Interbank Market

The interbank market is the global network utilized by financial institutions to trade currencies between themselves.

Investment

Investing is the act of allocating resources, usually money, with the expectation of generating an income or profit.

Investment Portfolio

A portfolio is a collection of financial investments like stocks, bonds, commodities, cash, and cash equivalents, including closed-end funds and Exchange Traded Funds (ETFs).

Investor

An investor is any person or other entity (such as a firm or mutual fund) who commits capital with the expectation of receiving financial returns.

K

Key Stakeholders

The primary stakeholders in a typical corporation are its investors, employees, customers, and suppliers.

L

Liquidity

Liquidity refers to the efficiency or ease with which an asset or security can be converted into ready cash without affecting its market price.

M

Macroeconomics

Macroeconomics is a branch of economics that studies how an overall economy—the market or other systems that operate on a large scale—behaves.

Margin Trading

Margin trading refers to the practice of using borrowed funds from a broker to trade a financial asset, which forms the collateral for the loan from the broker.

Market Capitalisation

Market capitalization refers to the total dollar market value of a company's outstanding shares of stock.

Market Efficiency

Market efficiency refers to the degree to which market prices reflect all available, relevant information.

Market Infrastructure

A Market Infrastructure is a system administered by a public organisation or other public instrumentality, or a private and regulated association or entity, that provides services to the financial industry for trading, clearing and settlement, matching of financial transactions, and depository functions.

Memorandum of Understanding

A memorandum of understanding is an agreement between two or more parties outlined in a formal document.

Microfinance

Microfinance, also called microcredit, is a type of banking service provided to unemployed or low-income individuals or groups who otherwise would have no other access to financial services.

Mortgage-Backed Securities

A Mortgage-Backed Security (MBS) is an investment similar to a bond that is made up of a bundle of home loans bought from the banks that issued them.

Mutual Fund

A mutual fund is a type of financial vehicle made up of a pool of money collected from many investors to invest in securities like stocks, bonds, money market instruments, and other assets. Mutual funds are operated by professional money managers, who allocate the fund's assets and attempt to produce capital gains or income for the fund's investors.

P

Pension Fund

A pension fund, also known as a superannuation fund in some countries, is any plan, fund, or scheme which provides retirement income.

Portfolio

A portfolio is a collection of financial investments like stocks, bonds, commodities, cash, and cash equivalents, including closed-end funds and Exchange Traded Funds (ETFs).

Primary Dealer

A primary dealer is a bank or other financial institution that has been approved to trade securities with a national government.

R

Regulator

A person or body that supervises a particular industry or business activity.

Regulatory Framework

A Regulatory framework is legal mechanism that exists on national and international levels. It can be mandatory and coercive (national laws and regulations, contractual obligations) or voluntary (integrity pacts, codes of conduct, arms control agreements).

Repo Transactions

A repurchase agreement (repo) is a form of short-term borrowing for dealers in government securities.

Risk Assessment

Risk assessment is a general term used across many industries to determine the likelihood of loss on an asset, loan, or investment. Assessing risk is essential for determining how worthwhile a specific investment is and the best process(es) to mitigate risk.

Risk Capital

Risk capital refers to funds allocated to speculative activity and used for high-risk, high-reward investments.

Risk Management

Risk management is the process of identification, analysis, and acceptance or mitigation of uncertainty in investment decisions.

Risk Premium

A risk premium is the investment return an asset is expected to yield in excess of the risk-free rate of return.

Risk-Based Capital

Risk-based capital requirement refers to a rule that establishes minimum regulatory capital for financial institutions.

Risk-Based Supervision

It is a comprehensive, formally structured system that assesses risks within the financial system, giving priority to the resolution of those risks. RBS is often contrasted with rules-based regulation.

S

Savings Scheme

A scheme designed to encourage savings by making small deposits automatically into a special savings account.

Securities

Securities are fungible and tradable financial instruments used to raise capital in public and private markets.

Solvency

Solvency is the ability of a company to meet its long-term debts and financial obligations.

Steering Committee

Steering committees are advisory bodies that are made up of senior stakeholders or experts that provide guidance on a lot of different issues that could face companies such as budgets, new endeavours, company policy, marketing strategies, and project management concerns.

Stock Market

The stock market refers to the collection of markets and exchanges where regular activities of buying, selling, and issuance of shares of publicly held companies take place.

Sustainable Development Goals

The Sustainable Development Goals or Global Goals are a collection of 17 interlinked global goals designed to be a "blueprint to achieve a better and more sustainable future for all".

Systemic Risk

Systemic risk is the possibility that an event at the company level could trigger severe instability or collapse an entire industry or economy.

T

Taxation

Taxation is a term for when a taxing authority, usually a government, levies or imposes a financial obligation on its citizens or residents.

Treasury bills

A Treasury Bill (T-Bill) is a short-term investment product (from 91 days to 365). days) backed by the Bank of Ghana on behalf of the Government.

Trustee

A trustee is a person or firm that holds and administers property or assets for the benefit of a third party.

U

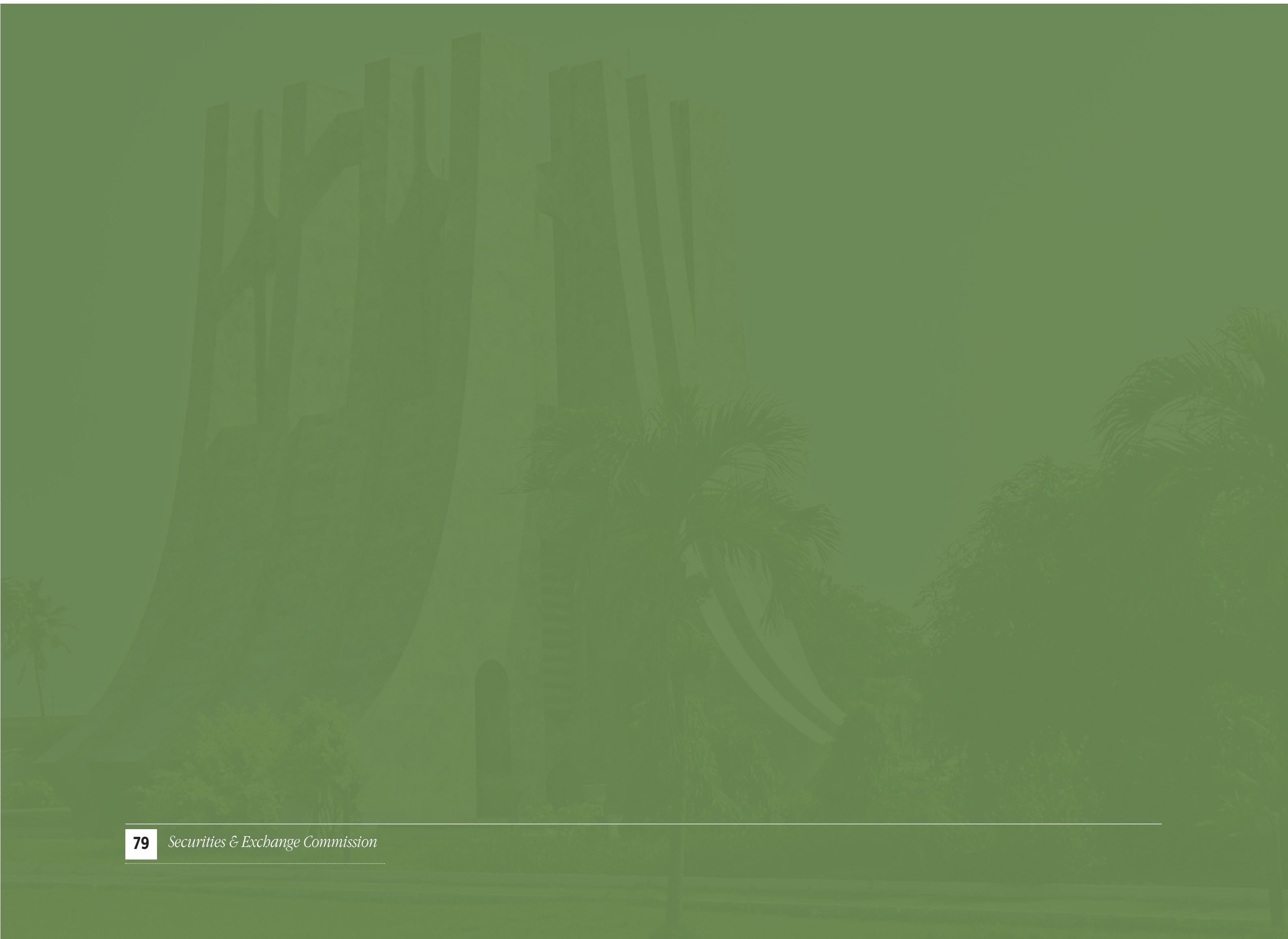
Underwriters

An underwriter is any party that evaluates and assumes another party's risk for a fee.

V

Venture Capital Funds

Venture capital funds are pooled investment funds that manage the money of investors who seek private equity stakes in startups and small to medium-sized enterprises with strong growth potential.



B

BoG	Bank of Ghana

C

CAGR	Compounded Annual Growth Rate
CAR	Capital Adequacy Ratio
CI	Composite Index
CSD	Central Securities Depository

E

ETF	Exchange Traded Funds

F

FINSSP	Financial Sector Strategic Plan
FSD	Financial Sector Division
FSC	Financial Stability Council

G

GAB	Ghana Association of Bankers
GAX	Ghana Alternative Market
GBA	Ghana Bar Association
GCX	Ghana Commodities Exchange
GDP	Gross Domestic Product
GFIM	Ghana Fixed Income Market
GhIPSS	Ghana Interbank Payment and Settlement System
GIS	Ghana Interbank Settlement
GISI	Ghana Investments and Securities Institute
GSE	Ghana Stock Exchange
GSIA	Ghana Securities Industry Association

I

IFC	International Finance Corporation
IFSC	International Financial Services Center
IOSCO	International Organization of Securities Commissions
IPO	Initial Public Offering

M

MFI	Microfinance Institutions
MMDA	Metropolitan, Municipal and District Assembly
MoF	Ministry of Finance
MSMEs	Micro, Small and Medium Enterprises

N

NBFI	Non-Bank Financial Institutions
NIC	National Insurance Commission
NPL	Non-Performing Loans
NPRA	National Pensions Regulatory Authority

P

PNDC	Provisional National Defence Council

R

RAFIP	Rural and Agricultural Finance Programme
RCB	Rural and Community Banks
ROA	Return on Assets
ROE	Return on Equity

S

SDC	Securities Depository Company
SEC	Securities and Exchange Commission
SMEs	Small and Medium Scale Enterprises
SSNIT	Social Security and National Insurance Trust

T

TPFA	Temporary Pension Fund Account

V

VCTF	Venture Capital Trust Fund

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