



ENSURING INVESTOR PROTECTION

SEC NEWS

OFFICIAL NEWSLETTER OF SECURITIES & EXCHANGE COMMISSION

2ND QUARTER (APR. - JUN.) 2020



OICU-IOSCO



Securities and Exchange Commission: Press Release



IOSCO Reprioritizes its Work Program to Address Impact of COVID-19



2nd Quarter Market Summary Analyses & Highlights



Key Market Statistics



Infractions, Penalties and Complaints Received in the Second Quarter of 2020



"All intelligent investing is value investing - acquiring more than you are paying for. You must value the business in order to value the stock." - Charlie Munger





TABLE OF CONTENTS

02

NOTICE TO THE PUBLIC

Public Advice
Public Notice

08

INTERNATIONAL UPDATES

The Board of the International Organization of Securities Commissions (IOSCO) agreed to pause or delay some of its work in 2020 in order to redirect its resources to focus on the multiple challenges securities markets regulators were addressing as a result of the COVID-19 crisis.

10

KNOWLEDGE BANK

The Commission on 8th October 2020 through a press release issued four (4) new guidelines to steer the operations and activities of capital market operators.

13

ENFORCEMENTS

Infractions, Penalties and Complaints Received during the Second Quarter of 2020.

16

FACTS & FIGURES

- Assets under Management (2nd Quarter 2020)
- Offers and Other Approvals
- Capital Market Statistics and Analyses

20

MARKET SUMMARY ANALYSES & HIGHLIGHTS

At the end of the second quarter (Q2) 2020, the Ghana Stock Exchange Composite index (GSE-CI), closed at 1,899.90 points from 2,159.61 points recorded at the end of first quarter (Q1) 2020. This represents a -15.83% year-to-date (YTD) change compared to -4.32% YTD as at the end of March 2020.

EDITORIAL TEAM

- | | |
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| 4. Mr Frank Biney Donkor | 8. Mr Andy Anim |

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DESIGNED & PRINTED BY:



NOTICE TO THE PUBLIC

1. PUBLIC ADVICE

Members of the general public are advised to use the Commission's Toll-Free Line 0800100065 or Main Line 0302768970-2 to contact the Commission on any issue they may have relating to the securities market and investments, including:

- Seeking general information about the securities market and products.
- Seeking information about licensed capital market operators.
- Reporting persons suspected to be operating in the securities market without a license.
- Reporting fraudulent investment schemes (e.g. Ponzi schemes).
- Reporting fraudulent activities of capital market operators.
- Making complaints against capital market operators.

2. PUBLIC NOTICE

A) THE SECURITIES AND EXCHANGE COMMISSION: PRESS RELEASE SEC/PR/001/10/2020

FOR IMMEDIATE RELEASE SEC SETS NEW CAPITAL REQUIREMENTS FOR MARKET OPERATORS

The Securities and Exchange Commission today issued new capital requirements for market operators in the Ghanaian Capital Market Industry. The new directive in accordance with Section 209 of the Securities Industry Act 2016, (Act 929) is in line with the Commission's mandate of regulating and promoting the growth and development of an efficient, fair and transparent securities market in which investors and the integrity of the market are protected.

The Director General of the Securities and Exchange Commission, Reverend Daniel Ogbarmey Tetteh speaking at the Annual General Meeting (AGM) of the Ghana Securities Industry Association (GSIA) in Accra remarked that the new minimum capital requirements for market operators were expected to be in force by end of next year therefore existing market operators would be expected to be fully compliant by 31st December 2021 while new entrants would be required to meet the new requirements immediately. Reverend Ogbarmey further noted that the new capital requirements contained in the just released licensing requirements guidelines for market operators should come as no surprise to the market as the new capital thresholds had been discussed extensively with market operators in the capital market industry.

In addition to the new licensing guidelines, the Securities and Exchange Commission has also issued other guidelines to steer the operations and activities of market operators. These include **Conduct of Business Guidelines, Regulatory Sandbox Licensing Guidelines and Corporate Governance Code for listed companies.**

Requests for information about the new guidelines can be made by sending an email to info@sec.gov.gh or calling toll free line, **0800100065**. Copies of the guidelines can be downloaded from the website of the SEC at www.sec.gov.gh.

ISSUED BY ORDER OF
THE SECURITIES & EXCHANGE COMMISSION (SEC)
DATED: October 12, 2020



B) THE SECURITIES AND EXCHANGE COMMISSION (SEC): PRESS RELEASE:

Background

The Securities and Exchange Commission (SEC) issued a press release on the 28th August, 2020 to give an update to the public on the aftermath of the revocation of licences of fifty-three (53) fund management companies. The revocation, which occurred on 8th November, 2019 was due to their inability to return clients' funds totaling GH¢ 8 billion, and significant breaches of applicable rules that created risks to financial stability. Among other things, the press release provided some information on the process for affected investors to benefit from the bailout promised by the Government. It has come to the attention of the SEC, that there is a misinterpretation of certain aspects of the press release in some sections of the public and we hereby shed some more light on the issues.

Clarity on Government Bailout

Our engagements with the Government through the Ministry of Finance after the revocation of the licences resulted in an agreement for Government to provide bailout for affected investors. In our communication immediately after the revocation, we indicated that Government would provide a capped amount to investors but this position has changed to Government offering a bailout to cover the validated claims of clients as stated in our press release. We indicated that the agreement reached with Government was for the bailout to be effected only after validation of claims and liquidation orders are secured. Specifically, we said that *"The first phase will cover clients of the twenty-two (22) companies currently under official liquidation per Court orders, based on their validated claims. The Official Liquidator will communicate details of the payment process to affected clients starting in September. The second phase would cover clients of the remaining companies after the liquidation orders are secured"*. The point being made therefore is that receiving Government's bailout is predicated on completion of validation and securing of liquidation orders. It is therefore a question of timing and nothing else.

Receiver pathway and Liquidation pathway

It is important to understand the differences in pathways used by the SEC and the Bank of Ghana (BOG) in restoring health and soundness to the financial sector. The BOG used the Receiver pathway as the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930) provides BOG the mandate to appoint a Receiver when a licensed bank or specialized deposit-taking institution (SDI) becomes insolvent, with very clear powers assigned to the Receiver so appointed.

The Securities Industry Act, 2016 (Act 929) does not provide the SEC with the power to place failed fund management companies under Receivership. The legal option therefore available to the SEC, where the licence of a fund manager is revoked, is to provide information for the process of liquidation which will legally transfer the assets and liabilities of the company. In this pathway, the SEC notifies the Registrar of Companies/ Registrar General about the revocation in order for the Registrar General to petition the court to be appointed as Official Liquidator. It is only after the appointment by the Court that the Registrar General is empowered to take possession and control of the assets and liabilities of the failed market operator. It is at this point of taking possession and control of the assets and liabilities that affected clients' claims can be processed by the Official Liquidator.

It is noteworthy that the liquidation process, by its nature, can be long and protracted. It is not surprising, that liquidation of some corporate entities here in Ghana which started over two decades ago is still ongoing. This is what motivated the decision of Government to step in with a bailout package to protect the affected clients of the 47 (3 out of the 50 FMCs have no investor claims) fund management companies (FMCs) that would be going through the liquidation process.

Act 929, specifically section 26, empowers the SEC to authorise a person to enter premises, search/make copies of records and close down/secure premises pursuant to carrying out its mandate under Act 929. Section 26 (2) of Act 929 makes provision for SEC to seek assistance of law enforcement agencies to carry out these activities. This is exactly what the SEC did after revoking the licences of these 50 FMCs in November 2019.

Role of the Official Liquidator

After the granting of the liquidation order under Section 4 of the Bodies Corporate (Official Liquidation) Act 1963,



(Act180) and Section 170 of the Corporate Insolvency and Restructuring Act, 2020 (Act 1015), the Official Liquidator is now mandated to take over the assets and liabilities(including claims from clients) of the affected companies. Among other things, the Official Liquidator will invite all creditors of the affected firms to file claims. In the case of FMCs, since the SEC has arranged for clients to file claims which have subsequently been validated, the Official Liquidator would take over these validated claims to use in the liquidation process. The Official Liquidator has already put out notices inviting claims from creditors. Secondly, the Official Liquidator would hold creditor meetings for each company followed by class meetings for specific groups like investors, only to explain the specific steps related to that class in the process. The Official Liquidator has published a schedule for the creditor meetings in the newspapers (Page 22, Daily Graphic 1st September, 2020). It is noteworthy that the liquidation orders were given to the Official Liquidator and not the SEC, therefore it is the Official Liquidator that would be driving the process going forward.

Response to inaccuracies by Blackshield Capital Management Limited (formerly Gold Coast Fund Management Limited.)

It has come to the attention of the SEC that Blackshield Capital Management Ltd (Blackshield) has issued a statement that contains errors and can be misleading as evidenced by how it is informing some pronouncements by a section of affected clients of these companies. We will therefore use the next few paragraphs to correct these inaccuracies.

Blackshield alleges that the SEC issued a public notice in 2017 directing that their Structured Finance (SF) product should be discontinued within six (6) months from the date of the directive. They further alleged that this singular directive by SEC set into motion unprecedented demands for redemption by customers of Blackshield and other fund managers leading to a backlog in payment. This is inaccurate. The SEC did not issue a public notice in 2017 directing that the SF product be discontinued. In June 2018, the SEC held a meeting with the Executive Management and Board members of our market operators and reminded them that the practice of offering guaranteed returns to their clients was illegal, and that SEC was going to enforce an earlier directive issued in 2014. The SEC asked the fund managers to unwind any positions as the contracts matured between July and December 2018. We gave the concession to fund managers who were unable to unwind their positions due to counterparty defaults to inform the SEC at the end of December 2018 and submit a plan for the SEC's consideration. We wrote letters to the fund managers after this engagement. It is noteworthy that complaints received at the Commission about the failure of Blackshield to pay clients started in 2018. A total of 153 complaints valued at GH¢147 million was received in 2018, representing 25% of total complaints received at SEC. In 2019, a total of 1,161 complaints from Blackshield's clients (representing 52% of total complaints) were received valued at GH¢782 million. Complaints Hearings were held by the SEC to obtain payment plans for some of the investors, unfortunately most payment plans were not adhered to by Blackshield. This failure to pay investors was widely reported by media outlets in 2019 before the revocation, after some customers petitioned different government agencies.

Secondly, Blackshield alleges that the SEC refused to grant approval to an alternate product. This is another untruth. Between December 2018 and March 2019, SEC gave audience to Blackshield in discussions and also gave an opportunity for a presentation on a concept Blackshield had come up with, after which they were required to make a formal submission to the SEC for approval. Blackshield failed to submit the relevant documents for approval until the SEC wrote to Blackshield on April 11, 2019 giving them with a deadline of 30 days for a formal submission. Blackshield eventually made a submission of their Cardinal Asset Master Trust Offer and listing of bonds on June 26, 2019. After a thorough review of the application, with Investor Protection as a key consideration of a Bond issue, the SEC wrote to Blackshield on July 9, 2019 with issues to redress, but they failed to respond to the Commission. Some of the issues identified with the application for which Blackshield was asked to address was the omission of basic documents including but not limited to the following: audited Statement of Affairs, Legal Due Diligence report, Board and Shareholder Resolutions and Valuation Reports of their assets. Indeed, what may be termed as regulatory forbearance on the part of SEC was aimed at allowing Blackshield enough time to address their issues.

The liquidation petition for Blackshield is pending due to the steps taken by Blackshield after the revocation of their licence. Blackshield first appealed to SEC on 11th November, 2019, three (3) days after the revocation, before formally appealing to the Administrative Hearings Committee (AHC) on 14th November, 2019. Accordingly, the liquidation petition had to be put on hold until the determination by the AHC. It is a documented fact that the AHC accommodated various requests from Blackshield including varying aspects of the rules of procedure which slowed down the pace for hearing of their appeal at the AHC. After their appeal was dismissed by the AHC and communicated to Blackshield on 8th June, 2020, Blackshield proceeded to file an application in Court alleging that they were not given a fair hearing at the AHC. Although they filed the application on 15th June, 2020, the date for hearing was scheduled for 28th July,



2020. Hearing commenced on the 28th July, 2020 and would resume after the legal vacation. The validation of the claims filed against Blackshield is also partially done because of limited access to their records. It is untrue that the SEC has had full access on 3 occasions to all client information of Blackshield and therefore the SEC cannot claim that it did not have records for validation. The data provided by Blackshield to our agent for the forensic audit and the SF product were in excel format but our agent did not cite any evidence to support the values in the excel sheets. The server was also not in the offices at the date of revocation and securing of the offices. The mandate of the agent was to take the records at the time of revocation for the purposes of validating the claims. Blackshield submitted data in excel and the incompleteness of the excel sheet became evident after claims were submitted by investors. The excel sheet data enabled our agent to examine 2,275 claims (about 3% of the 82,204 claims filed) valued at GH¢26 million. After persistent requests for access to all the records of Blackshield was unsuccessful, the SEC had to engage the assistance of a law enforcement agency who was able to retrieve the server on 19th August, 2020. Our agent is therefore now able to proceed with the validation of the remaining claims filed against Blackshield.

Validation is critical to establish that rightful claimants are making the right claims. It is noteworthy that any Government bailout is based on validated claims. In terms of the liquidation order, the pace would be accelerated if Blackshield gives credence to its statement of readiness to work with the SEC, for the inclusion of its clients in the Government bailout package as soon as possible, by considering the adverse effect its (Blackshield) actions are having on investors all over the country. Blackshield in its statement of 28th August, 2020 has admitted that it does not have the resources to pay investors, so genuine and sincere steps must be taken by Blackshield to back its commitment to see its customers paid through the Government bailout.

To recap, we wish to assure all affected clients that the Government bailout package is all inclusive, provided claims have been validated and liquidation orders secured. The SEC reiterates the fact that there is no plan to exclude any group of customers and as indicated in our last press release, the roll out of the Government bailout will be done in phases.

For any further information/clarification, affected clients may send emails to revocations@sec.gov.gh or call our toll free line, **0800100065**.

BY ORDER OF
THE SECURITIES & EXCHANGE COMMISSION (SEC)
DATED: September 2, 2020

C) THE SECURITIES AND EXCHANGE COMMISSION (SEC): PRESS RELEASE:

Background

The Securities and Exchange Commission (SEC), acting in accordance with Section 122 (2) (b) of the Securities Industry Act 2016, (Act 929) (SIA) revoked the licenses of fifty-three (53) Fund Management Companies (FMCs) on 8th November 2019, due to their inability to return clients' funds totaling GH¢8 billion, and significant breaches of applicable rules that created risks to financial stability. The enforcement action taken by the SEC forms part of a general exercise to clean-up the financial sector.

Following the revocation of the licences, the SEC took the following actions to protect investors:

1. Notified the Registrar of Companies/Registrar General to petition the Court for orders to commence the official liquidation of the fifty-three (53) FMCs under the relevant law;
2. Appointed an agent in line with the relevant provisions of the SIA, to take copies of records and lock up premises to secure assets of the affected companies.
3. Mandated the agent to receive claims from the clients of the affected companies and acknowledge receipt of same.

4. Mandated the agent to conduct validation of claims received from affected clients.
5. Engaged the Government through the Ministry of Finance on a bailout package for affected clients of the FMCs.

Eight (8) of the firms whose licences were revoked appealed against the revocation decision to the Administrative Hearings Committee (AHC) but only three (3) were successful. The engagement with Government was against the background that the liquidation process (securing the Court orders and realising assets) has the tendency to be long and protracted; meanwhile, providing early relief to affected investors was also important. It was agreed that rolling out of the bailout package promised by Government would proceed after claims are validated and liquidation orders secured. We provide an update on these activities below.

Validation

Out of the fifty (50) companies whose licences remain revoked, three (3) did not have any claims filed against them, leaving forty-seven (47) companies against whom claims were filed by affected clients. As at 26th August 2020, a total of 98,820 claims valued at GH¢10.83 billion have been received. The Commission has full access to the records of forty (40) of these companies, partial access to one (1) company and no access to the remaining six (6) companies.

Validation of the claims filed by the clients of the forty (40) companies where we have full access to their records has been completed.

The Commission had partial access to records from Blackshield Capital Management Limited (formerly Gold Coast Fund Management Limited) as Blackshield Capital Management Limited provided excel data representing about 3% of claims filed by their clients. Blackshield Capital Management Limited initially failed to assist in locating the server for validation of the remaining 97% of claims till the intervention of law enforcement agencies; validation is ongoing. The claims filed against Blackshield Capital Management Limited totaled 82,204 and valued at GH¢4.65 billion.

The six (6) companies that we do not have access to their records are Firstbanc Financial Services, Kripa Capital, EM Capital, Omega Capital, Nickel Keynesbury and Heritage Securities (Future PIP Management Ltd.). Validation of claims on Firstbanc Financial Services Limited is yet to commence because of their initial failure to cooperate with SEC, and the filing of an application for an injunction pending appeal at the High Court. Claims filed against Firstbanc Financial Services Limited was 423 valued at GH¢800 million. We are in the process of resolving the issues to get full access to the records of the remaining 5 firms. The claims filed against these 5 firms is 489 valued at GH¢87 million.

Liquidation Orders

The SEC notified the Registrar General after the revocation of the licences, who proceeded to file petitions in Court, seeking orders to liquidate each of the fifty (50) FMCs. The Court has since granted twenty-two (22) of these petitions and appointed the Registrar General as the Official Liquidator for these companies. The Registrar General has recently published notice of her appointment as Official Liquidator of the twenty-two (22) FMCs listed below and requested creditors to submit claims. The Official Liquidator will follow the liquidation process established by the Corporate Insolvency and Restructuring Act 2020 (Act 1015) including calling creditor meetings and realising value from assets that would be identified. The twenty-two (22) FMCs under Official Liquidation are the following:

1. Alpha Cap Securities Limited
2. Alltime Capital Limited
3. Axe Capital Limited
4. Brooks Asset Management Limited
5. CDH Asset Management Limited (Intermarket)
6. Fromfrom Capital Limited
7. Galaxy Capital Limited
8. Lifeline Asset Management Limited (Kamaag)
9. Mak Asset Management Limited
10. Man Capital Limited
11. Mec-Ellis Investment (Ghana) Limited
12. Mutual Integrity Limited



13. Nesst Capital Limited
14. Nickel Keynesbury Limited
15. Nordea Capital Limited
16. QFS Securities Limited
17. Sirius Capital Limited
18. Standard Securities Limited
19. Supreme Trust Capital Limited
20. Tikowrie Capital Limited
21. Ultimate Trust Limited
22. Weston Capital Management Limited

Petitions in Court for the official liquidation of the remaining FMCs whose licences were revoked are pending and yet to be decided on by the Court.

Government Bailout of Clients of FMCs

Prior to the Official Liquidator realising value from assets, the Government, mindful of the plight of Investors, has reiterated its commitment to a bailout package for clients of the FMCs in the form of a social intervention similar to what was done for depositors of the failed SDIs and MFIs.

The first phase will cover clients of the twenty-two (22) companies currently under official liquidation per Court orders, based on their validated claims. The Official Liquidator will communicate details of the payment process to affected clients starting in September. The second phase would cover clients of the remaining companies after the liquidation orders are secured.

Ongoing Court cases against the Revocation of Licence

Four (4) of the fifty (50) FMCs whose licences were revoked have filed applications in Court to challenge the SEC's decision to revoke their licences. These cases are at various stages in Court, and have resulted in a situation where no other action can be taken by the SEC or the Registrar General to proceed with official liquidation and Government bailout of the clients of these four (4) FMCs until the Court decides on them. Specifically:

- Blackshield Capital Management Limited appealed to SEC's Administrative Hearings Committee (AHC) and was unsuccessful in its appeal. Subsequently, Blackshield Capital Management Limited has filed a case in court seeking a review of the AHC decision. Hearing of this case commenced on 28th July 2020 and would resume after the legal vacation.
- Firstbanc Financial Services Limited filed an application in Court for Judicial Review of the revocation of their licence and judgment was given in favour of the SEC. Firstbanc Financial Services Limited has commenced processes for an appeal in the Court of Appeal against the decision. On 10th August 2020, Firstbanc Financial Services Limited filed an application in Court for an injunction pending the determination of the appeal.
- Apex Capital Partners filed an application in Court for Judicial Review of the revocation of its licence and judgment was given in favour of the SEC. Apex Capital Partners appealed against the decision in the Court of Appeal on 8th July 2020.
- Ideal Capital Partners Limited, after withdrawing an initial court case, filed another case on 29th July 2020 against the SEC's revocation decision. Hearing of the application by the Court is scheduled to begin on 18th November, 2020.

For any further information/clarification, affected clients may send emails to revocations@sec.gov.gh or call our toll free line, **0800100065**.

ISSUED BY ORDER OF
THE SECURITIES & EXCHANGE COMMISSION (SEC)
DATED: August 28, 2020



2. INTERNATIONAL UPDATES

IOSCO REPRIORITIZES ITS WORK PROGRAM TO ADDRESS IMPACT OF COVID-19

DOROTHY YEBOAH-ASIAMAH

Manager, International Relations and Board Secretary

The Board of the International Organization of Securities Commissions (IOSCO) agreed to pause or delay some of its work in 2020 in order to redirect its resources to focus on the multiple challenges securities markets regulators were addressing as a result of the COVID-19 crisis.

The decision meant that the work priorities outlined in IOSCO’s 2020 annual work program needed to be reconsidered. In deciding on which priorities to pause or delay, the Board was guided by four overarching principles:

- a) A recognition that a delay would relieve untoward pressure on IOSCO members who were addressing core crisis challenges;
- b) A recognition that operational constraints on financial institutions would likely impede

their ability to contribute to IOSCO projects and/or follow up on final reports;

c) A recognition that in many cases it may be inappropriate to issue reports during the crisis given that they may become wholly or partly overtaken by events and/or they would need to be modified to take account of lessons learned or factor in a substantially changed financial landscape as a result of the crisis; and

d) A recognition that IOSCO, the Financial Stability Board and other Standard Setting Bodies with whom IOSCO collaborated were focusing substantial efforts (which was resource intensive) to address the crisis which was the priority.

In view of the above principles, the Board agreed to redeploy resources to focus primarily on matters that were directly impacted by COVID-19. Among other things, substantial resources were being devoted to addressing areas of market-based finance which were most exposed



Among other things, substantial resources were being devoted to addressing areas of market-based finance which were most exposed to heightened volatility, constrained liquidity and the potential for pro-cyclicality.





to heightened volatility, constrained liquidity and the potential for pro-cyclicality. The efforts include examining investment funds, as well as margin and other risk management aspects of central clearing for financial derivatives and other securities. A limited number of other work streams that were close to completion would continue, as would work related to G-20 deliverables. The timelines for the projects in relation to asset management linked to FSB recommendations would be coordinated with the FSB.

The work being delayed or paused included IOSCO's analysis of the use of Artificial Intelligence and Machine Learning by market intermediaries and asset managers, the impact of the growth of passive investing and potential conduct-related issues in index provision, issues around market data, outsourcing and implementation monitoring – all of which would have involved

outreach to the industry and supervisors. However, IOSCO would continue to proceed with its work on good practices for deference, as well as other projects that were near completion which would not burden limited regulatory or industry resources. IOSCO would also examine any specific investor protection issues, market integrity or conduct risks that may arise in the context of the COVID - 19 crisis.

The reprioritization confirms IOSCO's ongoing commitment to protect investors, maintain fair, efficient and transparent markets and mitigate systemic risks.

IOSCO 2020 ANNUAL MEETING POSTPONED

Every year, IOSCO members meet at their Annual Meeting to discuss very important issues related to world securities and futures markets.

The 45th IOSCO Annual Meeting

which was originally scheduled to take place from 8 June – 10 June 2020, in Dubai, United Arab Emirates has been postponed November 2020 due to public health concerns linked to the covid-19 pandemic.

The 2020 IOSCO Annual Meeting will take place from Monday, 16 November to Wednesday, 18 November 2020 and will be preceded by a Public Conference on Sunday, 15 November. IOSCO has indicated that, the Secretariat and the host of the meeting would, however, continuously monitor the situation and make a final determination in mid-August whether the situation would allow for holding a physical Annual Meeting in Dubai in November. Should this not be the case due to travel restrictions or other adverse conditions, the (postponed) Annual Meeting 2020 will be held in a virtual format.





3. KNOWLEDGE BANK

Highlights of the Licensing Requirements Guidelines

FRANK BINEY DONKOR
Manager, Policy and Research, SEC

The Commission on 8th October 2020 through a press release issued four (4) new guidelines to steer the operations and activities of capital market operators.

These include

- Conduct of Business Guidelines,
- Licensing requirements for market operators
- Regulatory Sandbox Licensing Guidelines
- Corporate Governance Code for listed companies.

This edition of the newsletter brings to you highlights of the Licensing Requirements Guidelines which contains the regulatory capital needed to operate in the securities market in Ghana. The focus in this edition will be on the application by corporate bodies.

Part 2, section 3 (Page 5) of the Licensing Guidelines stipulates that;

1) Application for a licences is described in schedule 1: The

schedule 1 refers to the types of application for licences (Page 16)

2) The Application shall be made to the Commission in the prescribed Form under Schedule 2: The schedule 2 has the 3 forms as follows;

- **Form 1:** APPLICATION BY CORPORATE BODY FOR A GRANT / RENEWAL OF A LICENCE
- **Form 2:** APPLICATION BY AN INDIVIDUAL FOR THE GRANT/ RENEWAL OF A LICENCE TO CARRY ON BUSINESS AS AN INVESTMENT ADVISER
- **Form 3:** APPLICATION FOR THE GRANT/RENEWAL OF A REPRESENTATIVE LICENCE

Part 3, section 6 (Pages 6 & 7) of the Licensing guidelines provides for the requirements needed for corporate applications. We therefore provide the highlights of the requirements as follows;

All corporate licence applications in respect of regulated activities shall be in Form 1 (Schedule 2) and the applicant shall comply with the following licensing requirements:

- (1) Establish to the satisfaction of the Commission that it is a fit and proper person (in accordance with the fit and proper principle set out in guideline 3) to be licensed in respect of the regulated activity for which permission is sought;
- (2) Be a corporate body incorporated under the Companies Act, 2019 (Act 992) or the Incorporated Private Partnerships Act 1962 (Act 152);
- (3) Be able to meet and maintain the minimum paid-up capital requirement (as specified in Schedule 4) and liquid capital requirement in accordance with the Securities Industry (Financial Resources) Guidelines 2020;
- (4) Be organized and structured in compliance with the Securities Industry (Conduct of Business) Guidelines 2020;
- (5) Neither carry on, nor hold itself out as carrying on, any business other than that permitted by its licence, and from premises specified in its licence, except only in respect of such other matters as are ancillary or incidental thereto, or as may be expressly permitted by the Commission;
- (8) Provide evidence that the CEO is duly qualified by reason of;



a. Having a minimum of first degree or its equivalent, or professional qualification in a relevant field including banking, finance, accounting, business management, law or economics with a minimum of 7 years post-qualification experience in the financial services industry;

b. Having a minimum of first degree or its equivalent in areas other than (a) above with a minimum of 10 years relevant post-qualification experience in the financial services industry; or

c. Being a non-degree holder with a minimum of 15 years post-qualification experience, 5 of which must be in a senior management position in the securities industry; Provided that in all the above a chief executive officer shall have experience in managing and supervising staff involved in the placement or investment of money for commercial purposes as well as involvement in policy decisions concerned with the placement or investment in either a commercial, merchant or investment bank or with a dealer in securities, a finance company, a development finance institution or any

other financial institutions which deals with the placement or investment of money for commercial purposes.

(9) Submit completed representative application forms (Schedule 2, Form 3) in respect of the CEO, every executive director, officer or employee who will take part directly in the execution of the regulated activity, or will deal directly with clients, which representatives shall number at least 4 including the CEO and a compliance officer, and who shall have completed and passed the appropriate courses organized by **the Ghana Investment and Securities Institute (GSI) or any other course recognized by the Commission** (unless the Commission grants a waiver of course requirement where a director, officer or employee shows evidence of appropriate and suitable alternative qualifications and experience);

(10) Provide a satisfactory business plan (as defined in these guidelines);

(11) Provide satisfactory information as to its proposed internal control procedures and risk management systems to ensure its compliance with all

applicable regulatory requirements;

(12) Make available in every office and branch upon demand by a person a copy of its last audited financial statements (which shall be in conformity with the minimum financial disclosure requirements prescribed from time to time by the Commission, and shall include a copy of the auditors' report) together with the full and correct names of all persons who are directors/partners of the licensee, and shall be published on the website of the licensee.

In addition, the minimum capital requirement for firms in the industry can be found under **Schedule 4** (Page 24) of the licensing requirements guidelines which is indicated in the table below. It should however be noted that the full document (s) can be found on our website at www.sec.gov.gh under the heading "Laws and Regulations"

Disclaimer: The views expressed are the author's own and do not necessarily represent the views of the Securities and Exchange Commission, its members or staff.

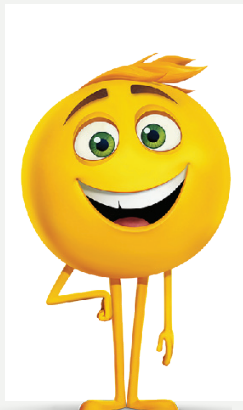
MINIMUM CAPITAL REQUIREMENTS FOR MARKET OPERATORS

Regulated Activity	Minimum Capital (GHC)
Broker-Dealer	1,500,000
Clearing House	50,000,000
Credit Rating Agency	1,000,000
Custodian	50,000,000
Fund Manager	2,000,000
Investment Adviser (Corporate)	1,000,000
Investment adviser (Individual)	200,000
Issuing House	1,000,000
Margin Trader	2,000,000
Market Maker	3,000,000
Nominee	1,000,000
Primary Dealer	400,000,000
Registrar	1,000,000



Securities Depository	50,000,000
Securities Exchange	10,000,000
Trustee	50,000,000
Underwriter	2,500,000

ANSWERS TO INVESTING QUIZ IN PREVIOUS ISSUE



- 1) B. A clear statement of financial goals*
- 2) C. A bear market*
- 3) A. The sales charges added to a mutual fund when you purchase it*
- 4) D. Futures*



4. ENFORCEMENTS

INFRACTIONS & PENALTIES; COMPLAINTS RECEIVED DURING THE SECOND QUARTER

1.0 Infractions and Penalties

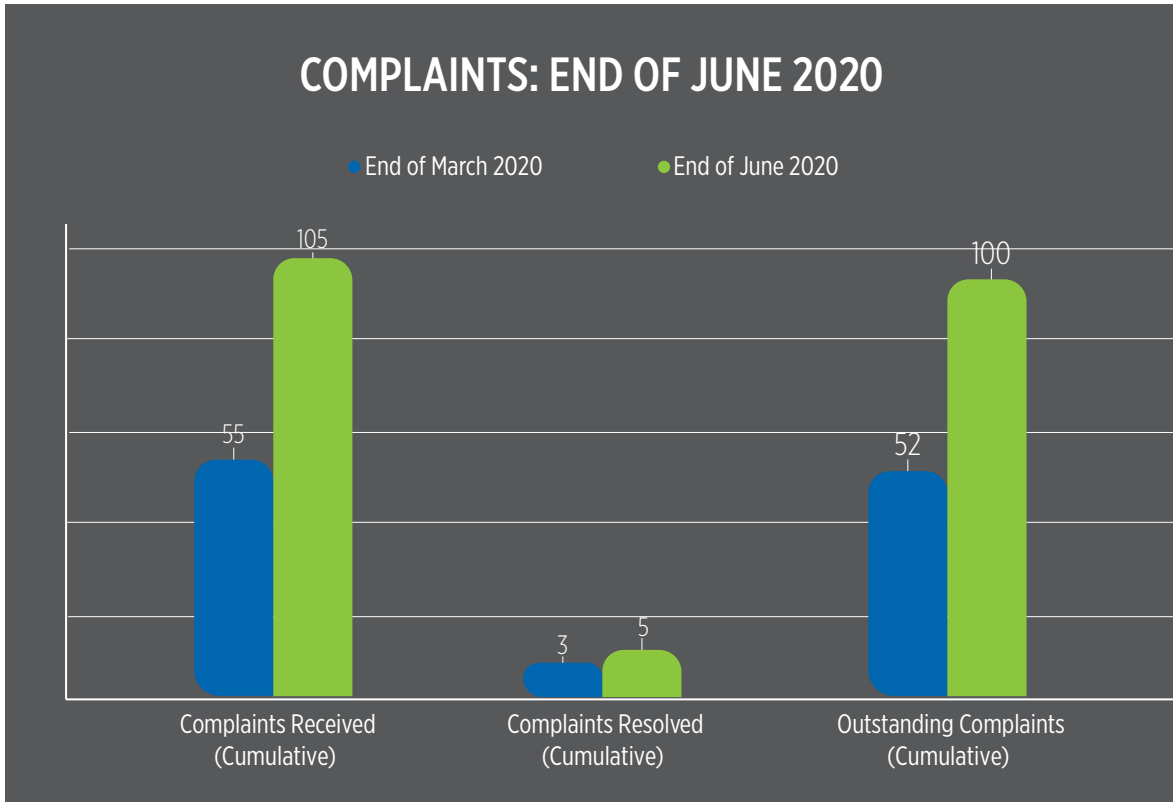
The following companies were sanctioned for various violations of the Securities Industry Act:

COMPANY	INFRINGEMENT	PENALTY (GH¢)
Reliance Capital & Asset Finance Limited	Late submission of January 2020 Monthly Returns	2,300.00
Solange Capital Partners Ltd	Late submission of February 2020 Monthly Returns	300.00
Solange Capital Partners Ltd	Late submission of January 2020 Monthly Returns	900.00
Everbond Financial Services Ltd.	Late notification of Director's Resignation	3,600.00

2.0 Complaints

Complaints received during the second quarter of 2020

PERIOD	COMPLAINTS RECEIVED (CUMULATIVE)	COMPLAINTS RESOLVED (CUMULATIVE)	OUTSTANDING (CUMULATIVE)
End Mar 2020	55	3	52
End Jun 2020	105	5	100



The above complaints were mainly related to:
i) Non-payment of redemption requests.



BRAIN TEASERS



- 1** *In a one-story pink house, there was a pink person, a pink cat, a pink fish, a pink computer, a pink chair, a pink table, a pink telephone, a pink shower — everything was pink! What color were the stairs?*
- 2** *You are in a room that has three switches and a closed door. The switches control three light bulbs on the other side of the door. Once you open the door, you may never touch the switches again. How can you definitively tell which switch is connected to each of the light bulbs?*
- 3** *When you have me, you immediately feel like sharing me. But, if you do share me, you do not have me.*
- 4** *What can be seen once in a minute, twice in a moment, and never in a thousand years?*
- 5** *You walk across a bridge and you see a boat full of people, yet there isn't a single person on board. How is that possible?*
- 6** *How can you throw a ball as hard as you can, only to have it come back to you, even if it doesn't bounce off anything?*

Answers in the next issue



MARKET STATISTICS OFFERS & OTHER APPROVALS

MARKET STATISTICS

Table Q: Assets under Management (2nd Quarter 2020)

AUM (GH¢)	End June, 2020	End March, 2020	% Change
Pensions	17,868,330,968.71	17,480,811,012.15	2.22
CIS	3,700,045,619.26	4,198,311,478.62	(11.87)
Other funds	5,936,293,401.59	6,292,093,314.00	(5.66)
Total (GHS)	27,504,669,989.56	27,971,215,804.76	(1.67)

Offers and Other Approvals

List of firms licensed during the second Quarter 2020:

None

Offers, Approvals and Listings (Primary and Secondary Market)

List of Approvals

1. Offers and Approvals and Listing (Primary and Secondary Market)

OFFER, LISTING AND BUSINESS COMBINATION APPLICATIONS			
APPLICANT	APPROVAL TYPE	APPROVAL DATE	OFFER SIZE
Access Bank Ltd	Note Programme	14-Apr-2020	GH¢150M

2. Note Tranches

APPROVAL OF NOTE TRANCHES				
	ISSUER	TRANCHE NO.	AGGREGATE OFFER SIZE	SUBSCRIPTION (%)
1	BOND Savings & Loans	14	GH¢7.1M	Offer cancelled

3. Total Number of Issuing Houses

1	ABSA Bank Limited
2	Fidelity Bank Ghana Limited
3	GCB Bank Limited
4	IC Securities Limited



5	Stanbic Bank Ghana Limited
6	Standard Chartered Bank Ghana Limited
7	Databank Brokerage Limited
8	Temple Investment limited

CAPITAL MARKET STATISTICS AND ANALYSES

1. Capital Market Operators as at the end of Second (2nd) Quarter 2020

	CATEGORY OF LICENSED OPERATORS	END JUNE 2020	END MAR 2020	CHANGE
1	Broker-Dealers	27	29	(2)
2	Custodians	18	18	0
3	Exchange Traded Funds	1	1	0
4	Investment Advisers	12	12	0
5	Fund Managers	85	83	2
6	Mutual Funds	46	46	0
7	Primary Dealers	13	14	(1)
8	Registrars	4	4	0
9	Securities Depositories	1	1	0
10	Securities Exchange	2	2	0
11	Trustees	7	7	0
12	Issuing House	8	6	2
13	Unit Trusts	21	22	(1)
TOTAL		245	245	0

2. Stock Market Statistics

Indicators	End June 2020	End March 2020	% Change
Number of Listed Companies (Main Market)	32	32	0
Number of Listed Companies (Ghana Alternative Market)	5	5	0
Volume of Trades (Equities)	262,248,753	99,513,460	163.53
Value of Trades (GH¢): Equities	194,008,027.41	76,845,063.78	152.47
Market Capitalization (GH¢ million)	52,950.40	55,985.55	(5.42)
GSE- Composite Index (GSE-CI)	1,899.90	2,159.61	(12.03)
GSE- CI YTD Returns (%)	(15.83)	(4.32)	(266.44)
GSE- Financial Stock Index (GSE-FSI)	1,725.04	1,922.92	(10.29)



3. Performance of Equities on Ghana Stock Exchange

NO.	NAME OF COMPANY	CODE	CLOSING PRICE (GH¢) END JUNE 2020	OPENING PRICE (GH¢) END MAR 2020	CHANGE (GAIN/LOSS) (GH¢)
1	Access Bank Ghana PLC	ACCESS	4.39	4.40	-0.01
2	Agricultural Development Bank	ADB	5.06	5.06	0.00
3	AngloGold Ashanti Ltd.	AGA	37.00	37.00	0.00
4	Aluworks Limited	ALW	0.11	0.10	0.01
5	Benso Oil Palm Plantation	BOPP	2.50	2.85	-0.35
6	Cal Bank Ltd	CAL	0.73	0.86	-0.13
7	Clydestone (Ghana) Ltd.	CLYD	0.03	0.03	0.00
8	Camelot Ghana Ltd.	CMLT	0.11	0.11	0.00
9	Cocoa Processing Co. Ltd.	CPC	0.02	0.02	0.00
10	Dannex Ayrton Starwin Plc.	DASPHARMA	0.40	0.40	0.00
11	Ecobank Ghana Ltd.	EGH	7.50	6.90	0.60
12	Enterprise Group Ltd.	EGL	1.43	1.70	-0.27
13	Ecobank Transnational Inc.	ETI	0.06	0.08	-0.02
14	Fan Milk Ltd.	FML	1.80	4.07	-2.27
15	GCB Bank Ltd.	GCB	3.40	4.50	-1.10
16	Guinness Ghana Breweries Ltd.	GGBL	1.20	1.60	-0.40
17	Ghana Oil Company Limited	GOIL	1.59	1.64	-0.05
18	Golden Star Resources Ltd.	GSR	9.50	9.50	0.00
19	Mega African Capital Ltd	MAC	5.98	5.98	0.00
20	Mechanical Lloyd Plc	MLC	0.09	0.09	0.00
21	Scancom PLC	MTNGH	0.59	0.68	-0.09
22	PBC Ltd.	PBC	0.03	0.03	0.00
23	PZ Cussons Ghana Ltd.	PZC	0.38	0.38	0.00
24	Republic Bank (Ghana) Ltd.	RBGH	0.40	0.58	-0.18
25	Standard Chartered Bank Gh. Ltd.	SCB	15.5	18.94	-3.44
26	SIC Insurance Company Ltd.	SIC	0.10	0.10	0.00
27	Societe Generale Ghana Limited	SOEGEGH	0.60	0.75	-0.15
28	Sam Woode Ltd.	SWL	0.05	0.05	0.00
29	Trust Bank Gambia Ltd	TBL	0.34	0.40	-0.06
30	Total Petroleum Ghana Ltd.	TOTAL	2.35	2.88	-0.53
31	Tullow Oil Plc	TLW	11.92	11.93	-0.01
32	Unilever Ghana Ltd.	UNIL	13.98	13.98	0.00
Ghana Alternative Exchange (GAX)					
33	Samba Foods Limited	SAMBA	0.55	0.55	0.00
34	Meridian Marshalls Holding Company	MMH	0.11	0.11	0.00
35	Hords Ltd	HORDS	0.10	0.10	0.00
36	Intravenous Infusions Limited	IIL	0.03	0.03	0.00
37	Digicut Production & Advertising Ltd	DIGICUT	0.09	0.09	0.00
Others (Depository and Pref Shares, ETFs)					
38	AngloGold Ashanti Depository Shares	AADS	0.41	0.41	0.00
39	Standard Chartered Bank Pref. Shares	SCB PREF	0.87	0.87	0.00
40	NewGold: Exchange Tradeable Funds (ETFs)	GLD	90.9	81.15	9.75



WHAT DO YOU KNOW ABOUT INVESTING ? TAKE A QUIZ

- 1** *A growth stock is associated with a company:*
- a. That is new with a consistent record of relatively rapid growth and earnings*
 - b. With a spotty earnings pattern but potential for substantial earnings in the future*
 - c. Which dominates its respective industry and has a good company management reputation*
 - d. With a steady stream of income paying high dividends and retaining only a small portion of profits*

- 2** *What are annuities??*
- a. A savings account within a stock*
 - b. A savings or investment account with a life insurance company*
 - c. The annual return on your investment*
 - d. None of the above*

- 3** *What is a huge advantage that mutual funds have over other types of investment vehicles?*
- a. Instant investment diversity*
 - b. Low initial cost to join*
 - c. management by a co-operative*
 - d. None of the above*

- 4** *What is an REIT company?*
- a. A company that only manages rental properties.*
 - b. A company that manages retirement plans for individuals and other companies.*
 - c. A company that owns and manages a portfolio of real estate properties and mortgages.*
 - d. All of the above*



6 SUMMARY & HIGHLIGHTS

SECOND QUARTER MARKET SUMMARY/ANALYSIS

FRANK BINEY DONKOR
Manager, Policy & Research

EQUITY MARKET

At the end of the second quarter (Q2) 2020, the Ghana Stock Exchange Composite index (GSE-CI), closed at **1,899.90 points** from **2,159.61** points recorded at the end of first quarter (Q1) 2020. This represents a -15.83% year-to-date (YTD) change compared to -4.32% YTD as at the end of March 2020.

During the period under consideration, the GSE had thirty-seven (37) listed equities on its platform. Out of the thirty-seven (37) equities, thirty-two (32) of the stocks are listed on the Main trading platform of the GSE whilst the five (5) remaining stocks are listed on the Ghana Alternative Market (GAX) trading platform of the GSE.

At the end of the second quarter 2020, two (2) stocks appreciated in price, sixteen (16) stocks recorded price declines and the remaining nineteen (19) stocks traded flat.

The total market capitalization recorded during the period under consideration was **GH¢ 52,950.40 million** compared to **GH¢ 55,985.55 million** at the end of first quarter 2020. The decline in market capitalization could mainly be attributed to decreases in stock prices during the period under review. Volume and value of equities traded on the GSE up to the end of the second quarter of the year 2020 were **262,248,753** shares and **GH¢ 194,008,027.41** respectively based on **5,812** trade transactions.

Fixed Income/Debt Market:

At the end of June 2020, the number of notes & bonds (fixed income/debt securities) listed on the GFIM were 123. The debt securities listed are made up of 62 corporate bonds, 52 Ghana Government (GOG) bonds and 9 Eurobonds respectively.

The value of Government listed debt securities (GOG), corporate debt and Eurobonds on the GFIM at the end of the second quarter 2020 were **GH¢ 99,894.48 (million)**, **GH¢ 27,241.21 (million)** and **\$8,750 (million)**, respectively. In addition, the value of GOG and listed corporate bonds denominated in dollars were \$371.4 (million) and \$13.80 (million) respectively.

Finally, the value of trades on the GFIM (CSD platform) from January to the end of June 2020 was **GH¢ 66,051,019,123.00** compared to **GH¢ 22,641,948,185.00** which was for the period January to March 2020.

Funds Management Industry:

In the Funds Management industry, the total assets under management (AUM) for the **second quarter** of 2020 was **GH¢ 27,504,669,989.56** which represented a **decrease of 1.67%** from the previous quarter. The total assets under management are made up of pension funds (**GH¢ 17,868,330,968.71**), collective investment schemes (CIS = **GH¢ 3,700,045,619.26**) and other funds (**GH¢ 5,936,293,401.59**) managed by fund managers.

Refer to table Q.

1,899.91
Points

The points at which the GSE-Composite Index closed at second quarter 2020

GH¢52,950.40
Million

The total market capitalization recorded at the end of second quarter, 2020

GH¢27,504,669,989.56

The total asset under management for the second quarter of 2020



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