SEC gets New Director-General

A new Director-General, Mr. Adu Anane Antwi, was appointed for the Securities and Exchange Commission following the retirement of Dr. Nii Kwaku Sowa as Director General on June 30th 2011. Mr. Antwi’s appointment took effect from July 4th 2011.

Mr. Adu Anane Antwi is a lawyer and a chartered accountant by profession. Having worked previously at the SEC, Mr. Anane Antwi brings to the management team a high level of knowledge and skills in financial markets, corporate finance, corporate/ investment law, governance and investor education.

Mr. Adu Anane Antwi is credited with setting up the Corporate Finance & Investment Management Directorate of the Securities and Exchange Commission and led in the development of relevant laws and regulations for the securities market and the framework for the licencing, monitoring and supervision of collective investment schemes and other market operators.

Foreign Companies Must Go Public- Director-General of SEC

The Director-General of the Securities and Exchange Commission (SEC), Mr. Adu Anane-Antwi has urged government to make it a policy for large foreign companies in the country to offload a portion of their stake on the Ghana Stock Exchange.

“We should allow them in to do business for at least five years and thereon a policy should compel them to offload part of their shares on the Exchange to enable Ghanaians to own part of the company while bringing more vibrancy to the exchange” he said. Mr. Anane- Antwi made the call when he met with members and executive of the Institute of Financial and Economic Journalists (IFEJ) at a special weekly talk series initiated by the Institute to create a platform for major institutions in the country to brief financial journalists on developments within their fields of endeavour.

His call comes on the back of the refusal of some foreign institutions to list on the Exchange in spite of the huge profits they are making as a result of their fruitful operations in the country. Mr. Anane- Antwi described the practice as unfortunate and urged the Government to take steps to reverse the trend. According to him, such a move will not only pave the way for Ghanaians to own a part of those institutions but also increase activity on the market.

He brought to the fore the need for the country to use more long-term funds as a tool to develop the country rather than concentrating on short-term funds. “No country can develop without long-term funds and that is why investments on the exchange is key if the country is serious about developing” he said. - Culled from The Daily Graphic
Compliance Officers’ and Capital Market Fora

The Securities and Exchange Commission has held the first of its quarterly Compliance Officers’ and Capital Market Fora. Initiated by the new Director-General of SEC, the fora would be held every quarter from hence. The Compliance Officers’ forum is designed to discuss key compliance concerns and encourage compliance officers share best practices in developing specific compliance systems. The Capital Market Forum, on the other hand, will provide a platform for the exchange of ideas among market operators as well as feedback to the Commission on how to continuously improve market activities and regulation. In addition, the SEC plans to hold bi-annual Capital Market Conferences which will bring together all stakeholders in and related to the industry to discuss issues and policies relating to the development and efficient functioning of the capital market.

Workshop on Capital Market Oversight, Enforcement & Development

Staff of the SEC participated in a three-day training workshop on Market Oversight, Enforcement and Development jointly organized by the United States Securities and Exchange Commission (US SEC) and the Securities and Exchange Commission Nigeria (SEC Nigeria). The program which was held in Abuja from July 20-22, 2011 was designed specifically for regional regulators.

The training sessions were led by senior experts from the US SEC who shared their insights on contemporary market development and oversight issues. The workshop also provided a forum for exploring both Nigeria’s and the US’ response to the global financial crisis, and for the exchange of best practices in the development and regulation of capital markets around the world. Lessons were drawn from real-world examples to help regulators address challenges of market inefficiencies in their peculiar jurisdictions. Participants were drawn from Nigeria, Ghana, Kenya and Sierra Leone.

Meeting With Auditors

A meeting was held with Auditors of market operators and listed companies on the 17th August, 2011 to discuss matters of mutual interest. The Director General advised the Auditors to support on-site inspection since the SEC cannot visit all the market operators within a year. He advised the Auditors to be familiar with the laws, regulations, directives, etc of the Commission and report to the Commission on issues of non-compliance. The Auditors expressed their concerns they have to the SEC and the Director General requested them to forward suggestions on capital market issues to the Commission.

Participants from Ghana with the DG of the Nigeria SEC.
Financial Sector Regulators Forum

The SEC worked together with the other financial market regulators to revive the Financial Sector Regulators’ Forum (FSRF). The first meeting was held at the Bank of Ghana (BOG) on the 4th August, 2011. The meeting decided to set up a two-tier committee, the FSRF made up of Heads of the regulatory agencies, and the Financial Sector Regulators’ Technical Committee (FSRTC) made up of the Heads of supervision of the regulatory bodies. The FSRF will meet twice a year, whilst the FSRTC will meet quarterly and report to the FSRF. A draft MOU and a Charter have been prepared and they are being studied by the Technical Committee.

The Management of the SEC also in July 2011 held separate meeting with the Heads of the Bank of Ghana, National Insurance Commission and National Pensions Reform Authority. At these meetings the regulators agreed to cooperate to oversee the financial system and there was a discussion on revive the financial sector regulators forum.

IPS Students visit the Securities and Exchange Commission

Members of the Eagle Youth Club of the Institute of Professional Studies, Legon, visited the Securities and Exchange Commission on the 9th of September 2011 to familiarize themselves with the operations of the capital market in Ghana. The students were hosted by senior officials of SEC and given a presentation on “Investments and the Capital Market”. They also had the opportunity to interact with some officials of the SEC, and expressed their deep appreciation for the highly informative and enlightening tour.

Presentation on Establishment of Commodities Exchange for Ghana

The Head Research and Marker Development of the SEC, Mr. Robert Dowuona Owoo on 7th September 2011 made a presentation to students of the National Banking College (Derivatives Class) on the topic ‘Commodities Exchange for Ghana’. The presentation was made at the invitation of the National Banking College. In his delivery, Mr. Dowuona Owoo indicated that a National Working Group had been set up under the auspices of the Ministry of Trade and Industry to facilitate the establishment of the Ghana Commodities Exchange (GCX) and the associated Warehouse Receipt System (WHRS). He indicated that the establishment of the GCX would go a long way to benefit the economy as currently, over 50% of the work force in Ghana were into agriculture and would benefit directly or indirectly from a working GCX with supporting credible WHRS. The students on their part suggested that all stakeholders, especially farmer groups should be sensitized as early as possible to ensure the successful establishment of the GCX.
Formation Of Market Development Committee

The SEC under the auspices of the Director-General, Mr. Adu Anane Antwi has formed and inaugurated a Market Development Committee. The Committee is made up of three (3) representatives from the SEC, two (2) representatives from the Ghana Stock Exchange (GSE) and two (2) representatives from the securities industry. The Committee is chaired by the Director General with the following as members :-

1. Mr. K. Okwabi - Deputy Director General I (SEC)
2. Mr. Ekow Acquaah-Arhin - Deputy Director General II (SEC)
3. Mr. Kofi Yamoah Managing Director (GSE) (Vice Chair)
4. Mr. Ekow Afedzie - Deputy Managing Director (GSE)
5. Mr. Reginald France – GSIA
6. Mr. Ogbarmey Tetteh –GSIA
7. Mr. David Awuah Darko- GSIA

The objective of the Committee is to facilitate the development of the capital market in Ghana. Specifically, the Committee is mandated to:

- Facilitate more listings on the Ghana Stock Exchange
- Explore the introduction of new products
- Promote the development of the Bond Market (both corporate and municipal)
- Assist in the development of commodities exchanges
- Develop strategies to improve liquidity on the secondary market for all securities
- Develop strategies for an extensive and sustainable public education
- Undertake an advocacy role for the capital market
- Draw up a capital market development Plan
- Support initiatives towards achieving an integrated capital market in the sub region

Meeting With CEO’s Of Listed Companies

The SEC on the 18th August, 2011 held a meeting with the Chief Executive Officers of Listed Companies to discuss matters of mutual concern including:

- The need to improve corporate governance in listed companies.
- The need to ensure compliance with reporting requirements.
- The need to ensure that price sensitive information is always disseminated to the whole market and to prevent the leakage of such information.
- The need to ensure greater liquidity in the market by issuing more bonus shares.
- The need for all listed companies to set up investor relations units to handle investor complaints.

The need for all listed companies to develop web sites which contain key information, relevant reports and important corporate disclosures for the investing public to access.

- The need to revive the forum for listed companies introduced by the GSE some time ago.
- SEC’s intended registration of securities.
- Payment of levies on bonus share issuance to be proposed.
Presentation on High Net Worth Individual: Maintaining Financial Wellness

The Director-General of the SEC has met with High Net Worth Individual, clients of the Stanbic Bank Ghana Limited to present on the topic “High Net Worth Individual: Maintaining Financial Wellness”. The presentation was made at the invitation of the Stanbic Bank Ghana Limited. In his delivery, Mr. Adu Anane Antwi advised High Net Worth Individual, and Clients of Financial Institutions to always deal with a licensed private wealth manager (Investment Adviser). He urged the High Net worth Individual clients to ensure that due diligence was done on the compliance status of the Investment Adviser, discuss issues of personalized services such as investment management, estate planning, tax planning etc. and put in place measures to monitor and evaluate the performance of the adviser on a periodic basis.

Familiarization Visits to Tanzania, Nigeria & Kenya

The new Director General of the SEC paid a working visit to Tanzania, Nigeria and Kenya to familiarize himself with the workings of the securities regulators in these jurisdictions as well as to solicit their views on various capital market development issues. Whilst in Nigeria, the Director General participated in the Africa Region Market Development Conference on Market Oversight, Enforcement and Development. In Kenya, the Director General signed a Memorandum of Understanding with the Kenyan Capital Market Authority to share information and cooperate in terms of training and capacity.

Brainstorming Meeting on Five Years Strategic Plan

Management and Heads of Department of the SEC on 2nd September 2011 met at the Eastmont Guest House, Cantonments to discuss an implementation plan for a five year strategic plan of the SEC. The strategic plan was developed on behalf of the SEC by the International Securities Consultancy Limited, a consulting firm contracted by the SEC on November 23rd 2010 to undertake an Institutional and Training Needs Assessment and Development of a 5-year strategic plan for the Securities and Exchange Commission.

The objective of the project is to strengthen the regulatory capacity of the SEC through improvement in workflows, systems, structure, processes, procedures, staff knowledge and skills and better human resource management to assist towards the retention of staff, and better output and service delivery.

The Strategic Plan 2012-17 sets out the SEC’s vision for the development of the Ghanaian capital market and was prepared with extensive input from market participants and other stakeholders. It outlines the major strategic objectives to be implemented within the Plan period and provides implementation strategies, activity implementation plans and a monitoring and evaluation mechanism. It is also envisaged that the Plan will be used by participants in the securities industry to formulate their own business and operational plans.
Meeting With Market Operators

The Director-General of Securities and Exchange Commission (SEC), upon assumption of duty, held three separate meetings with market operators. The first meeting was held on the 26th July, 2011 with Investment Advisors. The second meeting was held on the 27th July, 2011 with Broker-Dealers and the final meeting was held on the 28th July, 2011 with all the other categories of operators. The meeting focused on issues relating to the development of the capital market. Issues discussed at these meetings included the following:

- The need for market operators to develop a compliance culture so that the SEC can put less effort and resources to compliance issues and focus on market development.

- The need for regular meetings with market operators to address issues of common interest. In this regard he informed the market of the institution of a quarterly Compliance Officers’ and a Capital Market Forum.

- The need for market operators to ensure the practice of good corporate governance in their organizations.

- The SEC’s desire to encourage the government to set up a Financial Literacy Commission to support public education on Finance.

- The need for the SEC’s financial independence. The Director-General proposed the charging of some form of levy on the net incomes of Collective Investment Schemes as well as on bonus share issuance to help in funding the SEC. These proposals were accepted in principle.

- The need for Fund Managers to liaise effectively with the National Pension Reform Authority to enable them access pension funds to manage.

- The SEC desire to encourage and facilitate new product development.

- The SEC’s effort towards getting the Government to extend the capital gains tax moratorium.

- The SEC’s desire to ensure the passage of the Draft Municipal Finance Bill into law to assist in the development of the municipal bond market.

- The SEC’s support for the development of a Commodities Exchange and the OTC market.

“Nobody can predict interest rates, the future direction of the economy or the stock market. Dismiss all such forecasts and concentrate on what is actually happening to the companies in which you’ve invested.” *Peter Lynch*

“If you expect to continue to purchase stocks throughout your life, you should welcome price declines as a way to add stocks more cheaply to your portfolio.” *Warren Buffett*
During the period of July 2011 – September 2011, staff of the SEC participated in various training programmes aimed at building the capacity of SEC staff to meet the ever increasing demands of the capital market.

i. Training in Financial Management and Strategic Planning
A staff of the Corporate Finance Department attended a programme on Financial Management and Strategic Planning organized by the Performance Management Training and held in Johannesburg, South Africa. The programme was to enable participants appreciate the importance of having a strategic plan with clearly defined roles.

ii. Study tour to the Financial Services Board and the Johannesburg Stock Exchange
Three staff of the Market Surveillance Department and a staff from the IT Department undertook a study tour to the Financial Services Board (FSB) and the Johannesburg Stock Exchange, both in South Africa, to study at firsthand how electronic surveillance systems work so as to equip them with the requisite skills to man the electronic surveillance system installed at the SEC. The team also took the opportunity to discuss various surveillance related issues with their counterparts at the FSB. The systems are currently undergoing testing and expected to go ‘live’ soon.

iii. Joint US SEC / SEC Nigeria Workshop on Market Oversight, Enforcement and Development
Two Staff of the Corporate Finance Department, one staff of the Research and Market Development Department, one staff from the Accounts Department and one staff of the Investment Management Department, together with the Director General of the SEC, Ghana participated in a three-day training workshop on Market Oversight, Enforcement and Development jointly organized by the United States Securities and Exchange Commission (US SEC) and the Securities and Exchange Commission Nigeria (SEC Nigeria). The program which was held in Abuja from July 20-22, 2011 was designed specifically for regional regulators.

The training sessions were led by senior experts from the US SEC who shared their insights on contemporary market development and oversight issues. The workshop also provided a forum for exploring both Nigeria’s and the US’ response to the global financial crisis, and for the exchange of best practices in the development and regulation of capital markets around the world. Lessons were drawn from real-world examples to help regulators address challenges of market inefficiencies in their peculiar jurisdictions. Participants were drawn from Nigeria, Ghana, Kenya and Sierra Leone.

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1.0 WHAT ARE COLLECTIVE INVESTMENT SCHEMES?

Collective investment schemes are pools of funds that are managed on behalf of investors by a professional money manager. The manager uses the money to buy stocks, bonds, or other securities according to specific investment objectives that have been established for the scheme. In return for putting money into these funds, the investor receives shares or units that represent his/her pro-rata share of the pool of fund assets.

In return for administering the fund and managing its investment portfolio, the fund manager charges a fee based on the value of the fund’s assets. 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 (Amendment) Law 2000, Act 590 and are not necessarily the same as those of other jurisdictions.

It is worth noting that variations exist in collective investment schemes from jurisdiction to jurisdiction. The definitions in this brochure are based on the current Securities Industry Law of Ghana.
2.0 WHAT IS A MUTUAL FUND?

A mutual fund is a public or external company incorporated solely to hold and manage securities or other financial assets. The company accepts funds from investors and uses those funds to buy a portfolio of securities and other financial assets and employs a professional fund manager to manage the investment. The company issues shares, which represent pro-rata share of the pool of fund assets to investors. A mutual fund in Ghana may either be open-ended or closed-ended.

3.0 WHAT ARE OPEN-END FUNDS?

These are funds, which stand ready to repurchase their shares from the holders in any quantity and whenever the holder should desire. In addition they sell shares in any quantity to prospective investors at whatever time the investors determine. In other words, open-ended funds stand ready to issue new shares or redeem outstanding shares on a continuous basis. The numbers of shares of the fund, therefore, fluctuates as investors purchase or redeem shares. The price of a share in an open-ended fund is determined by the net asset value per share of the fund, where net asset value per share refers to the total value of the assets in the fund’s portfolio, less any fund liabilities, divided by the number of shares outstanding.

4.0 WHAT ARE CLOSED-END FUNDS?

These are funds, which issue a fixed number of shares and do not stand ready to repurchase their shares from their shareholders when they decide to sell them. The Securities Industry (Amendment) Law requires that closed ended funds be listed on an organized exchange in order to provide liquidity to the shareholders. These shares are traded at prices determined by the laws of supply and demand.

5.0 WHO ARE PARTIES TO A MUTUAL FUND?

The main parties involved in the organisation and operation of a mutual fund are:

i) The Mutual Fund Company
The company established to operate as a mutual fund company.

ii) The Manager
The professional fund manager appointed by the Mutual Fund Company to manage the fund’s investments. The manager must be a body corporate licensed by the Securities and Exchange Commission (SEC) as an Investment Advisor.

iii) The Custodian
A company appointed by the Mutual Fund Company to keep custody of all the securities owned by the fund. The custodian must either be a bank, an insurance company or a financial institution or a wholly owned subsidiary of any of them approved by the SEC.

6.0 WHAT RELATIONSHIP SHOULD EXIST AMONG THE PARTIES TO A MUTUAL FUND?

The manager and the custodian must be independent of the mutual fund company. Independent means that the mutual fund company should not be a substantial shareholder of the manager or the custodian. A substantial shareholder means a shareholder entitled to exercise or control the exercise of 30% or more of the voting power at general meetings of the company or one who is in a position to control the composition of a majority of the board of directors of a company.