



SECURITIES AND EXCHANGE COMMISSION
Ensuring Investor Protection

KEYNOTE ADDRESS REV. DANIEL OGBARMEY TETTEH, DIRECTOR-GENERAL OF THE SECURITIES AND EXCHANGE COMMISSION, GHANA, DELIVERED AT THE WEST AFRICAN CAPITAL MARKET INTEGRATION (WACMI) PHASE 2 CAPACITY BUILDING AND SENSITIZATION WORKSHOP HELD AT KEMPINSKI HOTEL, ACCRA ON 18th JULY 2023

- Dr. Olorunsola E. Olowofeso, Director-General of the West African Monetary Institute
- Ms. Abena Amoah, Managing Director of the Ghana Stock Exchange (GSE)
- Representatives from the African Development Bank (AfDB)
- Members of the Technical Committee of the West African Capital Market Integration Council
- Distinguished Guests
- Ladies and Gentlemen

It is my distinct pleasure to be here this morning to deliver the keynote address for this important event: a capacity-building and sensitization workshop, in furtherance of achieving the goals of the Phase 2 under the West African Capital Markets Integration (WACMI) initiative. The West Africa Capital Markets Integration Council (WACMIC), with the approval of the regulators, West Africa Securities Regulators Association (WASRA), designed a 3-phased approach to achieving integration of the capital markets in the sub-region. The 3 phases are:

- Phase 1: Sponsored Access
- Phase 2: Direct access for Qualified West Africa Brokers
- Phase 3: A Fully Integrated (virtual) West Africa Securities Market

After the successful completion of the Phase 1 which saw some brokers in Ghana and Nigeria utilize the sponsored access window to execute some trades on their respective exchanges, the

progression to the Phase 2 of the project has been rather slow. An important hurdle in Phase 2 is achieving harmonization of rules across the markets in the sub-region. It is noteworthy that satisfactory progress has been made to this end and we can expect a conclusion of harmonization and validation of the West African Capital Market Rules very soon to enable cross-border access to markets throughout the West African sub-region.

At this juncture, permit me to recognize the financial support of the African Development Bank (AfDB) through its Capital Markets Development Trust Fund (CMDTF), which has played a catalytic role to re-ignite and sustain the momentum to complete the requirements for full implementation of Phase 2. Three cheers also to the West African Monetary Institute (WAMI) for accepting to play the role of project sponsor/coordinator to ensure that we achieve the deliverables agreed upon for the Phase 2 while keeping AfDB apprised of progress. There is no doubt in my mind that a successful implementation of Phase 2 of the integration agenda would be transformative in capital formation and cross-border access to markets within the sub-region.

Distinguished Guests, Ladies, and Gentlemen

Today's workshop pushes the well-known maxim of finance and development further up in the capital markets ecosystem. Our Capital markets have come a long way since, but an integrated West African capital market has remained an elusive dream for long. What we are witnessing today is a major step toward making that dream a reality.

Permit me, ladies and gentlemen to provide you with some perspectives on two key questions related to the West African Capital Market Integration:

- Why do we need integration in the capital markets? To wit, what are the compelling reasons for this dream; and
- What is needed for the West African Capital Market Integration? In other words, what are the key success requirements?

Why do we need integration in the Capital Markets?

Integration in the capital markets is vital to increase liquidity, diversify risk, expand access to capital, promote market stability and drive economic growth. Additionally, market integration will boost international competitiveness, and foster innovation and knowledge sharing by breaking

down barriers and fostering collaboration to pave the way for a more connected, efficient, and resilient global financial system.

According to the United Nations, Africa is home to about 30 percent of the world's mineral reserves, 12 percent of the world's oil, and 8 percent of the world's natural gas reserves, therefore, we have no choice but to unite to defeat the forces of poverty and under-development that confront us. The continent is endowed with resources that are in high demand internationally. We can create huge industries, trade, investments, and employment opportunities from these resources. Combining these resources with a population of over 1.4 billion people, of which more than 60% are youthful, is a tremendous resource to step up the transformation of the entire regional economy.

In the specific context of West Africa, with an estimated population of 430 million, approximately 65% of its population belongs to the youth demographic. This substantial resource base, both in terms of natural wealth and a burgeoning youthful population, holds immense potential for a significant opportunity for economic transformation. However, it is distressing to acknowledge that the region continues to validate the dependency theory in the context of trade and economic relations.

The West African Capital Market integration assumes great significance as a key driver for achieving the Sustainable Development Goals (SDGs) of affordable and clean energy (SDG 7), sustainable cities and communities (SDG 11), and no poverty (SDG 1) by addressing infrastructure deficits, reducing unemployment, and meeting developmental needs. The integration of capital markets in West Africa will facilitate funding for sustainable projects within the West African region by attracting financing for projects aligned with the SDGs. and enable the region to address pressing issues such as renewable energy development, social infrastructure, and poverty alleviation.

Structural change in the sub-region is a "road less traveled". Industries in the sub-region are without smokestacks as the economic structure in the region remains truncated with little value-added manufacturing and economic inter-linkages in terms of supply chain networks and intra-regional trade and investments. While other regional blocs have shifted to intra-industry trade, we in Africa continue to pursue obsolete and outmoded inter-industry trade and exhibit relatively weak performance in global value chain (GVCs) trade, averaging 8% of GDP, compared to 11% in developing Asia and 14% in high-income countries over 2000-2015. The ripple effect has been

detrimental to Africa's growth trajectory. By embracing capital market integration, West Africa has an opportunity to shift towards a more progressive path. Integration can foster structural change by attracting investments in industries that promote value addition, innovation, and technological advancements.

Moreover, the integration of capital markets in West Africa holds the potential to address the issue of unemployment in the region. With a youth unemployment rate of ~12% in Sub-Saharan Africa (ILO, 2022), capital market integration can stimulate economic growth, create job opportunities, and encourage entrepreneurship. By promoting efficient resource allocation and attracting investments, integrated capital markets provide businesses, including SMEs, with easier access to capital. This enables them to expand operations, invest in modern technologies, and hire additional staff. Additionally, capital market integration supports infrastructure development, which further generates employment in construction, maintenance, and operation. By enhancing market efficiency, reducing transaction costs, and fostering a conducive business environment, integrated capital markets attract investors, spur economic activity, and drive job creation. However, it is crucial to complement capital market integration with supportive policies, inclusive growth strategies, and investments in education and infrastructure to fully address the unemployment challenge in West Africa.

- **What is needed for the West African Capital Market Integration?**

Indeed, it has been said that developing the domestic capital market is not an end, but a means to an end. It has become indispensable now if only for the simple reason that developing the entire capital market in the sub-region is the best medium to deliver the needed development to the people. This ambitious initiative will require concerted efforts to successfully achieve this goal.

Adequate infrastructure, such as trading platforms, settlement systems, and information dissemination mechanisms, are necessary for seamless integration. Developing robust and efficient infrastructure facilitates the smooth flow of capital, enables timely transactions, and enhances market transparency. Investment in technology and connectivity is essential to support the integration process. Addressing currency fungibility issues and cross-border settlement by leveraging on the Pan-African Payment and Settlement System (PAPSS) is a notable solution that

seeks to unlock the challenge with cross-border settlements by providing a robust payments and settlement system which is integral to market integration.

The integration of capital markets in West Africa calls for a new paradigm in financial literacy and investor education. Empowering individuals with knowledge and skills is crucial for active participation. A new dawn of financial journalism should accurately portray the African narrative and highlight investment opportunities. Balanced reporting can dispel misconceptions and attract investors. Diversifying voices in financial journalism ensures comprehensive representation. Collaboration and partnerships between local and international media outlets enhance the quality of reporting. This new paradigm can contribute to vibrant investment climates, attract capital inflows, and drive sustainable economic growth. By promoting informed decision-making, we can foster a prosperous future for West African capital markets.

Instilling investor confidence is imperative. This can be achieved through measures such as implementing capacity-building programs to enhance skills and knowledge of capital market operators, increasing market transparency, timely disclosure, and accurate information to enable informed decision access to reliable data to facilitate effective analysis. Additionally, strong enforcement and resolution mechanisms will uphold market integrity and protect investor rights. By implementing these measures, a favorable investment climate can be established to nurture a trusted capital market ecosystem.

To effectively support actors in the real economy, it is crucial to provide viable and efficient solutions for capital raising. This can be achieved by offering diverse financing options, streamlining regulatory processes, facilitating investor engagement, providing access to market information, implementing investor confidence-building measures, offering capacity-building and advisory services, and providing government support and incentives. By ensuring a range of financing avenues and simplifying regulatory frameworks, businesses can access the capital they need for growth. Investor engagement and access to market information foster successful fundraising efforts. Government support and incentives complement private sector efforts.

In our pursuit to integrate our markets, there lies a significant opportunity to leverage technology as a catalyst. By embracing technological advancements, we can enhance connectivity, drive efficiency, and streamline operations. Digital platforms and marketplaces provide centralized hubs for seamless trading and improved access to investment opportunities. Automation and digitization

reduce manual errors and streamline processes, while blockchain and distributed ledger technology enhance transparency and security. Fintech innovations offer alternative channels for accessing financial services and capital, promoting financial inclusion. Data analytics and artificial intelligence provide valuable insights for data-driven decision-making and identifying growth opportunities. RegTech solutions simplify compliance with harmonized rules, and cybersecurity measures protect against cyber threats. By strategically harnessing technology, we can propel market integration, foster innovation, and build a resilient and future-ready market ecosystem.

Distinguished Guests, Ladies, and Gentlemen

As we embark on Phase 2 of the capital market integration project, knowledge transfer and capacity building for stakeholders has become paramount. This timely and auspicious workshop, organized by the West African Monetary Institute and the African Development Bank (AfDB), will empower market operators, regulators, asset managers, financial infrastructure providers, and other capital market participants across diverse financial aspects. This initiative sets the stage for a game-changing integrated market beyond West Africa. From regulations and supervision to innovative financing, cross-border investments, and settlements, together, we pave the way for an expansive Pan-African Capital Market, to reap the rewards of amplified capital mobilization, sustainability, and financial inclusion.

Recent events in the geopolitical landscape have served as a powerful reminder that market integration, underpinned by a well-balanced regulatory framework, is essential for achieving strong economic growth and development. It is therefore imperative that we do not relent in our efforts to establish a solid foundation for an extensive financial marketplace. Through integration, we can enhance financial stability and effectively meet the financing requirements of member countries at reduced costs. This integration also enables us to address the structural economic challenges faced by our societies and pave the way for greater resilience and prosperity in the face of complex global dynamics.

The SEC Ghana recognizes the role of Market Integration in propelling our market towards an emerging status by fostering deeper and transformative growth.

With the utmost strategic importance attached to this initiative, I would like to reassure you that the Securities and Exchange Commission (SEC) Ghana is fully committed to the process leading

to the goal of achieving an integrated market in the sub-region. I would urge the other capital market regulators and operators in the sub-region to renew their resolve to pursue an integrated market. We believed in the dream of an integrated market; we began our journey to that end; we should neither vegetate nor congregate around the hurdles in our pathway. We should, with concerted action and resolve, go full steam ahead with the old African proverb 'If you want to go fast, go alone; if you want to go far, go together' emblazoned on our minds. This is our chance to unlock new avenues for economic growth, enhance financial stability, and promote prosperity in Africa.

I leave you with best wishes for a very fruitful workshop and may God bless us all. Thank you for your attention.

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