REMARKS AT 2019 PRESS CONFERENCE ON ASSET MANAGEMENT COMPANIES IN GHANA

The Securities and Exchange Commission (hereinafter referred to as “SEC”) is the statutory body mandated by the Securities Industry Act 2016 (Act 929) to promote the orderly growth and development of an efficient, fair and transparent securities market in which investors and the integrity of the market are protected. The SEC also has a mandate to maintain surveillance over activities in securities to ensure orderly, fair and equitable dealings in securities and to protect the integrity of the market in accordance with Section 2 and 3 of Act 929.

The SEC has picked up information from social media platforms predicting the collapse of some of its licensees with the consequence of creating fear amongst investors and causing panic withdrawals.

The SEC will like to apprise the investing public of some measures it is taking to ensure a healthy and vibrant asset management industry. The SEC has introduced corporate governance guidelines, investment guidelines and financial resources guidelines to ensure properly capitalized and well governed asset management firms.

Supervision and enforcement is also being strengthened to ensure that the licensees deliver on their mandate to the investing public. The SEC is also following due process to resolve complaints lodged with it against some of our licensees in accordance with the provisions of Act 929 and with the aim of achieving investor protection.

Furthermore, the SEC is working at a quicker access by the investing public to information on our licensees with the help of information technology to assist the investing public to make informed decisions rather than being misled by unsubstantiated claims in the social media. The SEC has on its website a list of licensees that are compliant with regulatory requirements as well as a list of those with pending complaints and significant regulatory issues. It is important to note that this list is by no means a list of fund management firms that are not safe to invest with as has been wildly speculated in social media.

The classification on the SEC website only indicates the status of licensees that have various regulatory issues and those that have unresolved complaints.

Some licensees have been suspended from the market, others have voluntarily surrendered their licenses while others are at various stages with regard to resolving the client complaints/regulatory issues. Once they are resolved, their classification will be updated accordingly. It is therefore inaccurate and wrong to universally categorize all those in red as companies that are not safe to invest in as the description of their status is clearly indicated by the name of the licensees.

Overview of the recent activity in the Fund Management Industry

1. The Fund Management business involves engaging the services of a licensed operator to manage an investor's funds on their behalf. The nature of investments made should depend on the investor's risk appetite, investment objectives, liquidity needs, and understanding of financial products. The Fund Manager is expected to provide exposure to a broad range of securities that minimizes risks. To this extent, our current regulatory regime has two types of portfolios: Collective Investment Schemes (namely Mutual Funds and Unit Trusts) and Separately Managed Accounts (consisting of Discretionary Portfolios and Non-Discretionary Portfolios).

2. In all instances, we require Fund Managers to exercise due caution and fiduciary responsibility in making investment decisions. This means that they should not take excessive risks for risk averse investors, and for investors who seek high risk, they need to explain to them the potential volatility in the portfolio that is created for them. The trade-off between risk and return must be clearly explained to the investor. For instance, investing in treasury bills is deemed to be risk-free while investing in fixed deposits carries some risk though much lower than the risk entailed in investing in equities. The risk of a portfolio is directly correlated to the underlying investments so an investor with a low risk appetite should be directed to a low risk portfolio and vice versa.

3. Investment entails risk, so it is important for the general public, and the investment industry to be 100% clear about the risks presented by various asset classes. Fund Managers need to have strong risk management processes in place and the investment management process needs to be robust. Some firms have such frameworks, others do not, resulting in sub-optimal asset allocation decisions.

4. Fund managers who handle retail and public funds are expected to have custody arrangements in place (e.g. CIS and Pension Assets), that ensure no commingling of client funds. We take seriously any breach of this sacrosanct requirement of the investment industry. Client funds are not for the Fund Manager. They are to be managed responsibly for an agreed fee, and this needs to be seen in practice.

5. Additional initiatives we will be implementing alongside the enhanced Risk-Based Supervision framework going forward include the following:

a. Registration of securities on the CSD

b. Greater and wider Investor education

c. Disclosure of significant regulatory breaches including:

i. Late/inaccurate filing of returns

ii. Breach of continuing licensing requirements including minimum capital and liquidity requirements

iii. Corporate governance issues (composition of board, regularity of board meetings, board committees, investment committee)

iv. Quality of staff

v. Quality of underlying investments (over concentration; illiquid assets; related party transactions etc.)

vi. Client complaints escalated to the Commission

vii. Legal suits

viii. In some cases, flamboyant lifestyle of the CEOs/staff

6. With regards to the regulatory environment, we are introducing the following initiatives:
a. Conduct of Business/Corporate Governance
b. Improved Licensing requirements
c. Investment Guidelines for Fund Managers
d. Enhanced Minimum Capital/Liquidity requirements
e. Information about licensed operators (more comprehensive data set will be worked on)
f. Digitization of the Commission to accelerate our ability to process information and enforce our requirements
g. Capacity building within the Commission and across the industry

7. We are also addressing ongoing issues, including complaints, in the Asset Management industry with the following initiatives:
a. We have developed a mechanism for hearing complaints and providing the DG's decision to affected persons. We will be tracking compliance and taking further action against firms that fail to comply. Directors and senior management found culpable will face the appropriate sanctions.
b. Risk-based supervision – spotlight on licensees with growing list of complaints
c. Directive to some fund management houses to stop taking new deposits
d. Suspension and revocation of some licenses
e. Disqualification of certain licensed individuals who exhibit actions and behaviors inconsistent with the fit and proper test from operating in the securities industry
f. Empowering aggrieved investors to pursue their investments using the Court system
g. Responding to the growing menace of Ponzi schemes through collaboration with various law enforcement agencies.

8. What we need from media houses:
a. Information is the currency in financial markets. We will work to provide timely, accurate and reliable information to the media and the general public
b. There is no place for sensationalism here (no screaming headlines; mis -representations)
c. Investor confidence can be hurt and undermined by irresponsible statements, commentary, editorials.
d. We encourage you to double check your facts all the time
e. We also expect that the media will understand that the Regulator will always control the release of information in order not to create any instability in the system. We have stability of markets and the public interest at heart at all times.