



# Ghana Securities Industry Association

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TO FUND MANAGERS:

June 9, 2020

**GSIA Circular: 05/20**

Dear GSIA Member:

**UPDATE- LIQUIDITY FOR FUND MANAGERS**

As communicated at our virtual meeting of May 22, 2020, GSIA Executives and Fund Manager representatives met with key stakeholders; the Ministry of Finance (MoF), Securities and Exchange Commission (SEC) and the Consolidated Bank Ghana (CBG) on the issue of liquidity for Fund Managers.

Our understanding of the limited options available to Fund Management firms and their clients per the meeting aforementioned was as follows:

**Option 1**

CBG would discount the first 2 cash instalments of the financial instrument to Fund Managers with exposure to the affected firms. CBG would determine the discount rate to be applied with the prevailing market rate as the benchmark.

**Option 2**

CBG would transfer the entire instrument to affected Fund Managers for trading. The pricing would be determined by market forces.

After careful consideration of the above options, GSIA indicated its preference for option 1 with some suggested modifications. This was against the backdrop that Option 1 as stated above was already being offered to GSIA members but on an individual firm basis. As an Association we appealed for consideration to be given to the following issues:

1. A well-defined classification of the instrument being offered.
2. That the instrument be tradeable and transferable.
3. A review of the discount rates being offered.
4. A dedicated desk at CBG offices for Fund Managers to ensure a more coordinated process.

CBG has since reverted on the above. They indicate that they believe it will 'be in the best interests of all concerned for CBG to hive off a portion of the bond issued by Government' to 'GSIA or its appointed representative to allow for a market solution'. CBG will 'determine the total amount due' GSIA members and 'transfer the equivalent value' of the bond to enable fund managers trade the derived instruments in line with 'pricing determined by market forces'.

CBG is ready to implement the above, following our acknowledgement. We will update you on further developments as they occur.

Executive Secretary, GSIA

Issued on behalf of the Governing Council

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