



PRESS RELEASE

GHANA SECURITIES INDUSTRY ASSOCIATION (GSIA) - NOTICE TO THE INVESTING PUBLIC

The Bank of Ghana revoked the licences of 23 savings and loans institutions on the 16th of August 2019 and 347 microfinance institutions on the 31st May 2019, as part of its banking sector clean-up exercise. Investment management firms or Fund Managers had a total of Ghs1.87 billion locked up in these failed institutions. This exercise was carried out with the assurance that no depositor or investor would lose his/her funds. There has been an ordered process since, with the appointed Receiver for the process of paying depositors and investors all or part of their monies after their balances have been reconciled.

In a Notice to depositors of the said institutions, the Receiver, Mr. Eric Nana Nipah announced that, “with effect from Thursday 2 April 2020, Consolidated Bank Ghana (‘CBG’) will be issuing a Government backed non-interest bearing Financial Instrument worth approximately GHS4bn to depositors...”. The characteristics of the instrument were outlined as follows:

- Coupon Rate: Zero coupon rate i.e. Non- interest bearing
- Tenor: 5 years
- Drawdowns: 10 Equal instalments every 6 months
- Timing of first draw down payment: 31 March 2021.

To date, more than Ghs1.43 billion of the Ghs1.87 billion exposure has been validated. Out of this only Ghs83 million has been paid to Fund Managers and their clients in cash with the balance paid in the form of the non-interest bearing instrument described above. This makes up less than 6% of the total validated exposures. Some institutions in other sectors of the financial system have received more than 50% cash payments. Should the instrument be traded in its current form, investors stand to lose a substantial portion of their investment value.

We have had a number of engagements with key stakeholders, namely; - the Securities & Exchange Commission (SEC), Ministry of Finance (MoF), Consolidated Bank Ghana (CBG) and the Receiver (PwC). These engagements with stakeholders are still ongoing. Our goal is for our numerous clients to be given a higher cash portion. An increase in the cash component of the pay-out will ease the already tight liquidity situation in the sector and provide relief to these clients.

We acknowledge the tight fiscal situation of the government. However, on behalf of our members and these clients, we are appealing to the government through the Ministry of Finance to urgently consider our request.

We trust that a speedy resolution of this issue will restore calm and bring relief to an already ailing sector. Thank you.

Executive Secretary
Issued on behalf of the Governing Council, GSIA

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