

## FINANCIAL INSTITUTIONS (NON-BANKING, 1993)

IN pursuance of the Provisional National Defence Council (Establishment) Proclamation, 1981 this Law is hereby made:

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| <p>1.(1) No person shall carry on any of the activities of the non-bank financial institutions set out in the Schedule to this Law unless it is incorporated in Ghana.</p> <p>(2) The Secretary may, on the recommendation of the Bank of Ghana by legislative instrument amend the Schedule to this Law.</p>  | <p>Financial institutions to be incorporated in Ghana</p> |
| <p>2.(1) Subject to the provisions of this Law no non-bank financial institution shall carry on any of the businesses set out in the Schedule unless it is licensed under this Law.</p> <p>(2) An application for a license shall be made in the prescribed form to the Bank of Ghana and shall be accompanied by such particulars or information as may be required by the Bank of Ghana.</p> <p>(3) There shall be paid in respect of every licence granted under this Law such fee as may be determined by the Bank of Ghana.</p> | <p>Financial institutions to obtain licenses</p>          |
| <p>3. No non-bank financial institution shall be licensed unless it maintains a minimum paid-up capital of one hundred million cedis or such amount as the Bank of Ghana may, after consultation with the Secretary, by executive instrument prescribe.</p>  | <p>Minimum capital</p>                                    |
| <p>4.(1) The Bank of Ghana may issue a licence to any non-bank financial institution which complies with the provisions of this Law relating to application and eligibility for a licence.</p> <p>(2) A licence under this Law shall be issued upon such terms and conditions as the Bank of Ghana may determine.</p>  | <p>Bank of Ghana to issue licence</p>                     |
| <p>5.(1) The Bank of Ghana may suspend or revoke the licence of any non-bank financial institution if it is satisfied that it -</p> <p>(a) obtained the licence by fraud or mistake;</p> <p>(b) has contravened any provision of this Law or any terms or conditions upon which the licence is granted;</p>  | <p>Suspension or revocation of licence</p>                |

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- (c) has engaged in undersirable methods of conducting the business in respect of which the licence is issued; or
  - (d) has failed to maintain the minimum paid-up capital.
- (2) The Bank of Ghana shall, before suspending or revoking the licence of any non-bank financial institution notify the institution in writing of its intention.
- (3) A non-bank financial institution notified under subsection (2) may within the period of one month from receiving the notice , petition the Secretary in writing against the suspension or revocation.
- (4) If a non-bank financial institution which has been notified of the Bank of Ghana's intention to suspend or revoke its licence fails to lodge with the Secretary its petition or having lodged the petition withdraws it before the Secretary gives his decision on it the Secretary may suspend or revoke the licence and notify the institution accordingly.
- (5) Any non-bank financial institution aggrieved by a decision of the Secretary on a petition lodged with him may appeal to the High Court.
6. Without prejudice to Section 5 of this Law, where the Bank of Ghana is satisfied that a non-bank financial institution –
- (a) is not carrying on its business in the interest of its depositors or creditors; or
  - (b) has insufficient assets to cover its liabilities,
- the Bank of Ghana may after consultation with the Secretary –
- (i) direct the institution to take such steps as the Bank of Ghana may consider necessary to deal with the situation;
  - (ii) prohibit the receipt by the institution of any fresh

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deposits; or

(iii) suspend or revoke the licence of the institution.

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| <p>7.(1) A non-bank financial institution shall notify the Bank of Ghana of the location of its principal place of business, branch or agency in Ghana.</p> <p>(2) If a non-bank financial institution changes the location of its principal place of business, branch or agency, it shall within twenty-one days of the change notify the Bank of Ghana in writing.</p>  | <p>Non-bank financial institutions to notify Bank of Ghana of Principal place of business etc</p> |
| <p>8.(1) A non-bank financial institution shall display conspicuously and in easily legible letters at the entrance of its principal place of business, its name and a statement of the fact that it is licensed to carry on business under this Law.</p> <p>(2) The statement shall indicate whether the institution takes deposits or not.</p>  | <p>Non-bank financial institutions to display name and licence.</p>                               |
| <p>9.(1) No non-bank financial institution shall, without the approval of the Bank of Ghana change its name as licensed.</p> <p>(2) No non-bank financial institution shall for the purposes of the business for which it is licensed under this Law use or refer to itself</p> <p style="padding-left: 40px;">(a) by a name other than the name under which it is licensed; or</p> <p style="padding-left: 40px;">(b) by an abbreviation of that name unless the abbreviation has been approved by the Bank of Ghana</p> | <p>Change of name to be approved</p>  |
| <p>10.(1) A non-bank financial institution shall furnish the Bank of Ghana with –</p> <p style="padding-left: 40px;">(a) the regulations or other rules for the conduct of its business;</p> <p style="padding-left: 40px;">(b) every change of a director of the business occurring within twenty-eight days of being licensed or of the change as the case may be.</p>  | <p>Financial institutions to furnish regulations and alterations</p>                              |

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- (2) A non-bank financial institution shall furnish the bank of Ghana with every alteration in its regulations or rules or every change of its business not less than three months before the date of the coming into effect of the alteration or change.
- 11.(1)** Notwithstanding section 265 of the Companies Code, 1963 (Act 179) a non-bank financial institution may make invitations to the public to deposit money with it for fixed periods payable at the discretion of the institution. Invitation to public for deposits
- (2) The Bank of Ghana may, if it considers it necessary in the interest of the public to do so give directions to non-bank financial institutions either generally or to any particular financial institution in respect of any matters relating to or connected with the receipt of deposits including rates of interest payable on such deposits and the periods for which deposits may be received.
- (3) The Bank of Ghana may in the case of non-compliance with the directions by any financial institution prohibit the acceptance of deposits by that financial institution.
- 12** A non-bank financial institution shall submit to the Bank of Ghana for approval any arrangement or agreement which it proposes to enter into for the sale or disposal by amalgamation or otherwise of its business. Sale or amalgamation of business
- 13.** Subject to the provisions of this Law the Bank of Ghana shall have supervisory authority in all matters relating to the businesses of any non-bank financial institution licensed under this Law. Bank of Ghana to have supervisory authority.
- 14.(1)** The Bank of Ghana may, without prejudice to any of its functions under this Law make rules not inconsistent with the provisions of this Law, for the proper functioning of all non-bank financial institutions licensed under this Law. Bank of Ghana to make rules.
- (2) All non-bank financial institutions shall comply with the rules made under subsection (1) of this section.

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| Capital adequacy and liquidity ratios          | <b>15.</b> | <p>(1) Every non bank financial institution which takes deposits from the public shall at all times hold unimpaired owned funds which in aggregate are not less than ten per cent of risk assets of the institutions.</p> <p>(2) The Bank of Ghana may in consultation with the Secretary and in the public interest by legislative instrument vary the level of the owned funds to the risk asset of deposit taking non-banking financial institutions.</p>  |
| Secretary to prescribe amount of liquid assets | <b>16.</b> | <p>(1) The Secretary may by legislative instrument on the recommendation of the Bank of Ghana make regulations to prescribe --</p> <p style="padding-left: 40px;">(a) The amount of liquid assets to be held by a non-bank financial institution; and</p> <p style="padding-left: 40px;">(b) That the amount may be a percentage of all its deposit liabilities,</p> <p>and may also prescribe different percentages for different classes of deposits or assets.</p> <p>(2) Regulations shall make provision for the payment of penalties for contravention by a non-bank financial institution of subsection (1) of this section.</p> |
| Payment of dividends                           | <b>17.</b> | <p>(1) No non-bank financial institution shall declare or pay any dividends on its shares in any one-year if the level of capital adequacy of the institution is less than that provided for by regulations made under this Law.</p> <p>(2) Regulations shall make provision for the payment by directors of financial institutions of penalties for the contravention of subsection (1) of this section.</p>   |

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- (3) No non-bank financial institution shall pay any dividend on its shares unless it has completely recovered all its capitalized expenditure.
  - (4) In this section “capitalized expenditure” includes preliminary expenses, shares selling commission, brokerage losses incurred by the financial institution and any other item of expenditure not represented by tangible assets.
- 18.** Financial institutions not to grant advances
- (1) No non-bank financial institution shall grant any advance or credit or undertake any financial guarantee or indemnity to or in respect of any one person or group of persons or invest in the equity of any company or carry out any other transaction for any person or group of persons which constitutes in the aggregate a liability to the institution amounting to more than fifteen per cent of the net worth of the institution.
  - (2) No non-bank financial institution shall, in the case of an unsecured advance, credit, financial guarantee or indemnity grant any advance, credit, or undertake any guarantee or indemnity amounting in aggregate to more than ten per cent of the networth of the institution.
  - (3) Subsection (1) of this section shall not apply to transactions between non-bank financial institutions or between a non-bank financial institution and a bank incorporated in Ghana.
- 19.** Financial institutions to submit returns to the Bank of Ghana
- (1) Every non-bank financial institution shall submit to the Bank of Ghana
    - (a) not later than twenty-one days after the last day of every quarter a statement in such form as may be determined by the Bank of Ghana showing the institution’s assets and liabilities as at the close of business on the last day;

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- (b) in such form and within such time as the Bank of Ghana may specify such other particulars as the Bank of Ghana may require.
  - (2) The information in subsection (1) (a) shall be made public in the case of deposit taking institutions.
- Bank of Ghana to submit annual report.      **20.** The Bank of Ghana shall, within three months after the end of each financial year, submit to the Secretary a report on the activities of all non-bank financial institutions licensed under this Law.
- Financial institutions to keep proper accounts      **21** A non-bank financial institution shall keep books of accounts and proper records in relation to all transactions of the institution.
- Appointment of auditors      **22**
- (1) A non-bank financial institution shall appoint an auditor who shall audit its account books and records at least once in every year.
  - (2) No person shall be appointed an auditor under subsection (1) unless –
    - (a) he is a member of the Institute of Chartered Accountants under the Chartered Accountants Act, 1963 (Act 170);
    - (b) he is a practising accountant within the meaning of that Act;
    - (c) he is a resident in Ghana or if not so resident, his residence outside Ghana has been specifically approved in writing by the Bank of Ghana in consultation with the Secretary; and
    - (d) he is not disqualified by any law in force in Ghana or in any other country from being appointed as auditor.
  - (3) An auditor shall submit a statutory audit report and

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a long form audit report to the institution that appointed him.

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| Auditors' reports   | <b>23</b>  | <p>(1) An auditor appointed under this section shall not be an employee or director or officer of the institution concerned.</p> <p>(2) The auditor shall state in his statutory report whether or not -</p> <ul style="list-style-type: none"> <li>a. the accounts give a true and fair view of the state of affairs of the financial institution;</li> <li>b. he was able to obtain all the information and explanation required by him for the efficient performance of his duties; and</li> <li>c. The financial institution's transactions are within the powers of the institution.</li> </ul> |
| Financial Institutions to submit audited reports to Bank of Ghana | <b>24</b>  | <p>(1) A non-bank financial institution shall submit a copy of its audited accounts to the Bank of Ghana.</p> <p>(2) Any person who so desires may request for a copy of the audited accounts of a non-bank financial institution from the Bank of Ghana and the Bank of Ghana shall, upon payment of a fee by the person, give him a copy of the report.</p>  |
| Regulations   | <b>25.</b> | <p>Except as otherwise provided in this Law the Secretary may by legislative instrument make regulations –</p> <p>(a) To prescribe -</p> <ul style="list-style-type: none"> <li>(i) Capital adequacy, liquidity ratio and other prudential requirements of financial institutions;</li> <li>(ii) The procedures for the risk management of financial institutions; and</li> </ul> <p>(b) For giving full effect to this Law.</p>   |
| Offence   | <b>26</b>  | <p>Any person -</p>  |

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- (a) who operates any of the activities of the non-bank financial institutions set out in the schedule without a licence;
  
- (b) who in connection with an application for a licence wilfully or knowingly gives any information, which is false or misleading in a material particular,

commits an offence and shall be liable on conviction to a fine not exceeding one million cedis or to imprisonment for a term not exceeding two years or to both.