



STANDARD CHARTERED BANK

OFFICIAL OPENING OF NEW HEADQUARTERS BUILDING

ADDRESS BY DR. ERNEST ADDISON, GOVERNOR, BANK OF GHANA

ACCRA, OCTOBER 3, 2018



Your Excellency the President of the Republic: Nana Addo Dankwa Akufo-Addo,

Honorable Ministers,

The Board Chairman and Directors of Standard Chartered Bank Limited,

Distinguished Executives of the Banking Industry,

Invited Guests,

Ladies and Gentlemen,

1. It gives me great pleasure to be here today for the official launching of this new ultra-modern head office for Standard Chartered Bank (Ghana) Limited, and for the opportunity to make a few remarks on this occasion.

2. Standard Chartered bank has been a very successful Bank with a great tradition as a financial institution. Established as the Bank for British West Africa (BBWA) during the colonial era, it predates all existing banks including the Bank of Ghana itself. The Bank's slogan "Here for Good" provides a deep historical perspective to banking in Ghana and indeed in the entire West African sub region. The Bank has also been managed



largely by a Ghanaian workforce and it is a Ghanaian Bank by every standard.

3, Mr. Chairman, the overall contribution of Standard chartered to the banking industry in Ghana is not in doubt. Its history is intertwined with the socio-economic development of Ghana. It remains one of the top tier banks in terms of total assets and deposits of the industry. The Bank has also contributed churning out of astute professional bankers who have moved on to serve other institutions in the industry. It has also supported lending to various sectors of the economy such as mining, utilities, construction, agriculture, manufacturing, and services. More recently, the bank has gone through some transformation based on its business model re-engineering to reposition itself as a major player in the industry.

4. Mr. Chairman, financial services remain crucial in promoting economic growth and reducing poverty. It is in this regard that the Bank of Ghana has established as a major policy priority, the development of a sound financial system with strong individual component institutions. The idea is to position the sector as a major growth driver, to support an inclusive broad based economy with the full implementation of new higher minimum capital requirements by the end of this year. We know that banks are working strenuously to meet this requirement and we may end the year



with many more banks meeting the minimum capital requirement than was originally anticipated. This will help ensure a banking industry that is well capitalized and well-positioned to support the much needed economic transformation Ghana needs.

5. We have been working with the fiscal authorities and other stakeholders to create the enabling environment to support growth and I am happy to report that we are beginning to see good results. At the last Monetary Policy Committee meeting, we observed that economic activity continued to strengthen with robust export growth, higher industrial electricity consumption and higher tourist arrivals. Overall, the country remains on a steady growth path with the first quarter 2018 GDP outturn estimated at 6.8 percent, compared with 6.7 percent in the same period of 2017. Also, the Bank's updated Composite Index of Economic Activity (CIEA) showed a strong pickup in the year to July. Ghana recorded a trade surplus of \$1.4 billion at the end of August. Headline inflation broadly declined and has ranged between 9.6 and 9.9 percent over the past five months, despite the marginal upticks occasioned by adjustments in administered prices.

6. The Cedi's strong performance against the major international currencies in the first quarter of 2018 weakened in the subsequent quarters



as the currency came under pressure, mainly from emerging and frontier market contagion effects. Factors such as the US Fed rate increases due to continued monetary policy normalization, strengthening of the US dollar, rise in US yield rates, and the escalating trade tensions have all taken a toll on emerging market and frontier economy assets.

7. The combination of these factors have resulted in a tight financing conditions, reverse capital flows and exchange rate pressures in most emerging market and frontier economies, including Ghana. However, different countries have responded differently depending on the strength of their underlying macroeconomic fundamentals. The impact on the exchange rate in Ghana has been somewhat moderated compared to other EMs and frontier economies—a testament to the gains in macroeconomic stability achieved over the past 18 months. While currencies in other EMs are still under stress, Ghana's currency has recently regained some stability and the local currency is gradually becoming more stable. Indeed Ghana has recently received an upgrade by Standard and Poor's to her sovereign credit rating on the back of improved monetary policy effectiveness and improved banking sector stability.

8. Our banking system is becoming stronger with capital adequacy ratio reported at 19.1 per cent at the end of August, significantly above prudential requirement of 10 percent. Non-performing loans of the industry continue to



decline and we expect a major reduction as banks begin to implement write off policies, in line with approvals received from Bank of Ghana to address the legacy loans that have been fully provisioned for. We have also observed a return to efficiency in the industry as operating expenses across banks are beginning to reduce, which should ultimately result in declining interest rates. With the increased capitalization of banks, declining levels of non- performing loans, and better credit risk assessment in the banking system, we should expect the pricing of credit to reflect these trends. Interest rates and spreads that have been slow to adjust should move in line with inflation.

9. These are the conditions which would lead to improved access to credit for small and medium enterprises to financial services. They constitute the largest population where the benefits of access to credit touch directly on the fabric of the society and income security, and the ultimate good of raising living standards.

10. As the Bank of Ghana continues to strengthen the regulatory and supervisory frameworks to restore confidence and promote stability and integrity of the banking sector, it is important that we do not overlook cyber security measures to combat financial crime. As part of the National Cyber Security Awareness Month (NCSA) in October, which was launched two



days ago, the Bank of Ghana will inaugurate its Security Operations Centre (SOC) on the 22nd October and also launch the cyber and information security directive for the industry. Subsequent to the issuance of the directive, banks would be required to follow an implementation schedule to ensure that effective cyber security controls are in place to counter any form of cybercrime.

11. Through the Bank's monitoring systems we have observed the daily attempts by cyber criminals to bypass security controls and exploit vulnerabilities within the cyber and information security defenses of financial systems. To counter these, we are strengthening and increasing the scope of Anti-Money Laundering risk-based supervision and collaborate with the Financial Intelligent Centre (FIC), Economic and Organized Crime Office (EOCO) and other law enforcement agencies to reduce the incidence of cyber-attacks on the financial sector.

12. Mr Chairman, the common good is a healthy financial system founded on strong individual banks and financial institutions. To achieve this common good, the Bank of Ghana is strengthening its risk-based supervision framework and will continue to count on the cooperation of banks. This transition puts more emphasis on capital efficiency. As banks



accumulate more capital they have to find the most efficient use of this capital to support its business mix. This calls for the fluid use of resources to capture the appropriate return on equity. The challenge will call for a diverse repertoire of competencies, the diagnostic ability to be innovative or what things should be unlearned, and the behavioural flexibility to be able to change.

13. Mr. Chairman, there are a number of factors that explain the success of Standard Chartered Bank in the market: the provision of better quality products and services, competitive pricing and enhanced access by customers on terms structured to meet their needs, and a culture rooted in uncompromising respect for the highest standards and integrity that are essential for public confidence. And they are doing so, we believe, in an atmosphere of fair competition and in a stable, predictable and liberal regulatory framework. We urge other banks as well as the locally owned Ghanaian Banks to emulate these strong standards, especially the strengths of its corporate governance.

14. As I have highlighted earlier, the financial sector in Ghana is solid, well-capitalized, and healthy. And, over the last year, we have seen further improvements as the reforms begin to take shape.



15. However, we have a few institutions in the sector that have come under stress in both banks and specialized deposit taking institutions. What are common among these institutions are unsustainable business models and poor corporate governance practices which has led to the misapplication of depositors funds and pushed them to the threshold of insolvency with liquidity shortages. And, we have all been witnesses to how customers of these institutions have reacted. These developments are not a reflection of the industry. We have very strong banks and Savings and Loans that are doing well. However, we are working with the Ministry of Finance on a recovery plan which we expect to be implemented soon.

16. We urge Stanchart to continue to draw on its strengths, knowledge of the local market, professionalism and, above all, a customer-focused culture to develop products and services to meet the banking needs of the public. Whilst they may target the blue-chip companies in the system for good reasons, there is a clear need to also give the small business enterprise sector a focus and to provide services to meet the needs of this relatively neglected sector of the banking market.

17. On this note, Mr. Chairman, let me once again congratulate the Board, Management and Staff of Standard Chartered Bank on the opening of this new Headquarters building.



Thank you all for the attention.

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