



**KEYNOTE ADDRESS ON THE FUTURISTIC ECONOMY:
TECHNOLOGY-DRIVEN FUTURE OF BUSINESS &
GOVERNANCE FOR ECONOMIC TRANSFORMATION**

**by
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**Mr. Chairman,
His Excellency the Vice President,
Chiefs,
Invited Guests,
Distinguished Ladies and Gentlemen.**

Let me thank organisers of this Ghana CEO Summit for creating such a unique platform where over 400 CEOs gather at one place to discuss issues of relevance to the businesses and the economy in general.

Mr. Chairman, we at the BoG start a 3-day MPC meeting this week which we will review developments on the economy and take a decision on where to place the policy rate. I will therefore not discuss Monetary Policy today. However, as you all know, in the last two years, we addressed serious lapses in governance and weaknesses in the operational efficiency of some banks. The systemic nature of the infractions put several depositors' funds at risk and weakened public trust in the industry. We therefore took the challenge, daunting as it was, to clean the financial sector and safeguard the solvency and stability of the banking system in particular, and the financial system as whole, given the interconnectedness of the banks and other Specialized Deposit Institutions.



The comprehensive set of reforms we undertook were tough but necessary. Over the period, we have recapitalised the banks and implemented several regulatory reforms to underpin the stability and soundness of the banking sector. We now have a well-capitalized, liquid, solvent and resilient banking sector to effectively execute its core mandate of financial intermediation within a stable economic environment.

Given this platform, permit me to enumerate some of the reforms that have been implemented to safeguard the stability of the financial sector. These reforms are aimed at ensuring the safety and soundness of individual banks, aligning macro-and micro-prudential risks to bank capital and addressing cross-sectoral and cross-border risks to the industry. In order to address the overall risks of the industry, and to properly risk-profile individual banks, we **revised the current risk based supervision framework** to take account of the current developments in the global banking environment.

As part of efforts to reduce the level of impaired assets, we have required that banks help to clean up their books and remove the structural challenges that undermine the effective credit delivery process. We have enforced our directive on **loan write-off** and require appropriate disclosure of written-off facilities in the published financial statements of banks.



We reviewed the **governing legislations on the credit reference system** to require banks to submit both positive and adverse information on borrowers to the bureaus through a new portal that has been developed. The BOG also worked on the **collateral registry system** to address some outstanding issues with foreclosure. We are also supportive of government efforts to enhance clarity in the land acquisition process which transmits into the collateral perfection processes for banks. In addition, we are hopeful that the introduction of the Ghana Reference Rate, Ghana Post GPS and the national identification program would contribute to the on-going measures aimed at reducing the incidence of loan defaults.

Mr. Chairman, to fight financial crime means we needed to invest and **strengthen our AML/CFT regime** by increasing the scope of AML risk-based supervision and collaborate with the Financial Intelligent Centre (FIC), Economic and Organized Crime Office (EOCO) and other law enforcement agencies to enforce the AML/CFT regulations. As we work closely with these agencies, the emerging area of crime that threatens the very existence of financial institutions is cybercrime.

Cyber criminals have managed to bypass security controls and to exploit breaches or vulnerabilities within the cyber and information security defenses of financial systems. In this regard, the Central Bank issued a **draft directive on cyber and information security** to the banking industry.



Mr. Chairman, we also issued the **final directive of the Capital Requirement Directive (CRD)** which addresses Pillar one (1) of Basel II/III capital regime. The Pillar II of the Basel accord is expected to strengthen the supervisory review process. This would involve the **Internal Capital Adequacy Assessment Process (ICAAP)** allowing banks to undertake an assessment of the capital commensurate with all their risk exposures. We are also driving the disclosure requirements in conformity with pillar III of the Basel accord to enhance appropriate information flow to market participants.

The process of fully operationalising the BSDI Act, 2016 (Act 930), is in progress and will continually reviewing the existing directives and regulations to align them with the Act. In line with this, we issued the **“fit and proper” directive, financial holding companies and the mergers and acquisitions directive.**

The Central Bank has adopted **the accounting standard on financial instruments (IFRS 9)** since January this year. IFRS 9 requires banks to implement the expected credit loss model for the banking industry. Though it was expected that the implementation of new model would increase credit impairment in the banks, the central bank’s assessment of the impact, revealed that increases in loan loss impairment were largely contained within the regulatory credit risk reserve.



We have started work on addressing the crisis that bedeviled the industry focusing on enhancing customer confidence in the system. The **implementation of the deposit protection scheme** is on-going in line with the Ghana Deposit Protection Act, 2016 (Act 931) as amended to provide a safety net for vulnerable depositors in the event of a bank failure.

Going forward...

The financial sector continues to face some challenges.

First, let me apprise you on issues associated with the just ended clean-up of the banking sector and the state of the Receivership process. The process has progressed slowly as out of the total loans of GH¢10.1 billion taken over by the Receivers, total recoveries so far is in excess of **GH¢ 731 million** and this has been achieved through loan repayments by customers; repayment of placements; sale of vehicles; liquidation of bonds; and from other incomes sources (largely from interests on placements and refund of commissions paid). Loan repayments by customers constitute about 72 percent of the total proceeds realized.



I am also reliably informed that the Receivers have fully engaged the judicial system to assist in the recovery of certain assets and monies from some of the shareholders, directors and other loan defaulters of these erstwhile institutions, with about 50 cases currently pending before the courts.

Despite these initial steps, the recovery process, has not been without challenges, with some individuals involved resorting to the court system to frustrate the process by engaging in frivolous actions; while low or poor documentation has also made it difficult for the Receivers to identify and pursue some of the loan defaulters due to insufficient or non-existent information. Investigations so far have also revealed that some of the assets were not registered in the names of the specific financial institutions but in the names of related or connected parties, making it difficult to dispose of the underlying collateral to offset the outstanding loans. Some of these loans were even fictitiously created and the directors are being pursued to recover such monies.

The Second issue has to do with the high NPLs which is of serious concern and needs to be tackled with urgency. As regulators, we have closely monitored the developments in the industry's Non-Performing Loans (NPLs) and I must say that in spite of the improvements made through the enforcement of our loan write-off policy, the NPL ratio



remains high at 18.76 percent as at end March 2019. This level by all measures is not acceptable and more work is needed in this area.

The high NPL situation has implications for the effectiveness of monetary policy conduct as it acts to impede the transmission mechanism. Lending rates will continue to remain high in the midst of high NPLs with implications on how the private sector responds to macroeconomic conditions in their quest to be innovative and support the real sector of the economy.

Here, I must say that the role of the judiciary is crucial in the scheme of things and an efficient adjudication of financial sector court cases would be needed. In my opinion, designating special courts and judges to adjudicate matters relating to specific issues arising out of the Bank resolutions and revocation of licenses given the public interest, and the enforcement of collateral agreements, will help speed up the process.

Without an efficient judiciary system that is prepared to deal with cases in a swift and decisive manner, all the work done in sanitizing the banking system will not yield the desired results/ expected outcomes.

The Bank of Ghana will continue to track the Receivership process to ensure that resolution process yields the appropriate outcomes.



Before I conclude, permit me also to also commend the organizers of this year's CEO Summit for a well-timed theme: "*The Futuristic Economy: Technology-Driven Future of Business & Governance for Economic Transformation*". The Bank of Ghana recognises that technology remains a key driver of financial development in Africa and that is why we are collaborating with the telecommunications and financial technology companies (FINTECHS) to enhance the efficiency of the payments ecosystem and deepen financial inclusion. The successful implementation of the Mobile Money Interoperability (MMI) project last year, underscores our quest to leverage on the increasing digital revolution in the financial sector to broaden access to financial services for inclusive growth.

The recently-enacted Payments System and Services Act provides opportunities for innovations that will make our payments system more efficient and in tune with the rapidly changing means of doing business, contribute better to improved access to financial services. This new legislation also presents great investment opportunities particularly in the fintech space.

The Bank of Ghana will continue to remain vigilant to all forms of risks and vulnerabilities to the economy and will take appropriate actions to mitigate them to ensure to ensure continues macroeconomic stability and financial stability.



I thank you your attention!