



**GHANA ASSOCIATION OF BANKERS - 17th ANNUAL WORKING LUNCHEON
KEYNOTE ADDRESS
BY
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13TH SEPTEMBER 2019
KEMPINSKI HOTEL, ACCRA**

**Mr Chairman;
The Executive Secretary;
Members of the General Council;
Managing Directors of Banks;
Fellows and Associates of the Ghana Association of Bankers;
Members of the Banking Fraternity;
Distinguished Guests;
Ladies and Gentlemen;**



- 1.** A very good afternoon to you all and let me extend my warm greetings and welcome you to the 19th Annual working luncheon of the Ghana Association of Bankers (GAB). It is indeed a great pleasure to be invited to address this working luncheon of the Ghana Association of Bankers, bringing together Chief Executives of Banks in Ghana.

- 2.** To begin, allow me to highlight the critical role of the banking sector to the national development agenda. The growth experience of the banking industry is necessarily intertwined with that of the economy as a whole. And the industry has necessarily been central to economic policy and structural reforms because a sound and efficient banking system is indispensable for financial stability and indispensable for a healthy and robust economy.

- 3.** Mr. Chairman, we have gathered here at a time of completion of actions to reform our financial sector and a time when a lot of gains have been made in country's monetary and financial stability, and confidence is being restored. These gains should begin to translate into lower interest rates that Ghana pays for issuing debt, as well as lead to further anchoring of inflation expectations at the low and stable levels and financial stability.



- 4.** However, our ability to maintain this confidence depends on the freedom with which the central bank is able to take necessary but unpopular decisions to restore price and financial stability. I would want to say that the Bank of Ghana has enjoyed considerable political support enabling it to be effective to implement these rather difficult measures to comprehensively reform the banking and specialized deposit taking institutions sectors of the financial system. These have involved, increases in the minimum capital of universal banks, resulting in some cases mergers and acquisitions, to ensure orderly consolidation of the sector. And in some cases involving insolvent institutions without any franchise value, where licenses were revoked. These reforms have rather sadly been misconstrued as being driven by some unseen hands to score political objectives.
- 5.** Ladies and Gentlemen, I would like to place on record that these difficult decisions taken by the Bank of Ghana were based on its technical assessment and judgment of the conditions facing the financial sector. In particular, I would like to take this opportunity to clarify the misinformation about the circumstances surrounding the license revocation of the Heritage Bank. We were quite measured not to engage with the directors of the Bank at the time, but sometimes it pays to clarify such actions to avoid misperceptions. During our assessments of this bank, we were able to unravel the financial engineering that went into the creation of false capital upon which the then Heritage Bank obtained its license. The Heritage Bank did not have the initial GH¢120 million capital required to obtain the Universal Banking license that was



granted in 2016. In fact, the shareholders and directors of the Heritage Bank had roundtripped on a GH¢30 million payment made by Cocobod to Alive Industries, a related company belonging to the principal shareholder—bank statements and the transaction documents are available for those who are interested to review.

Discriminatory Reforms

6. There has also been some assertions that the Bank of Ghana has allowed banks that were not able to raise the minimum capital by the deadline to continue even after the deadline. I am sure you all followed the debate on the need to support indigenous banks which received a favourable response from the Government through the creation of the Ghana Amalgamated Trust. The Banks that received support from GAT met the qualifying criteria of being better governed and well managed. What is being perceived as discriminatory should rather be seen as the reward for better corporate governance and good management. That was the qualifying criteria. With the exception of the two state-owned banks (ADB and NIB), the private banks that received assistance were assessed and considered better managed than those that had their licenses revoked.



Section on Bailout or Resolution

7. Now, the question on people's minds is whether Bank of Ghana could have used the bail-out money to keep the banks in operation. Ladies and Gentlemen, such reasoning suggests a lack of understanding of the fundamental issues at play. Let me say that the underlying factors that accounted for the resolution of the banks were deeper than liquidity issues. Here, one can mention very serious infractions, weak governance structures and related-party transactions which rendered those defunct banks insolvent. I will not rehash these issues but rather look forward to the emergence of a stronger and well-capitalised banking sector, and as major stakeholders of the financial sector, we should all commit ourselves to never roll back the gains we have achieved in the industry. The Bank of Ghana is confident that the actions taken in terms of recapitalisation, closure of insolvent banks and widespread regulatory reforms will gradually bringing back trust and confidence in the Ghanaian banking sector.

Restoring the Health of the Banking Sector

8. Ladies and Gentlemen, I have every reason to feel confident about gains and achievements made so far in the financial sector. The financial sector is currently healthier and better able to withstand external shocks compared to the financial sector at the beginning of 2017. It is better capitalized, liquid,



profitable, and more efficient and has adequate capital buffers to enable it manage any adverse external developments. Such an optimistic outlook seemed nearly impossible in 2017 when we started these reforms.

- 9.** Mr. Chairman, a dynamic growth-oriented financial system must be strong, well capitalised, and effectively supervised within a fair regulatory environment in accordance with international best practices and standards. There is therefore, a huge regulatory burden on us to remain vigilant towards all forms of risks in the banking sector and to tighten our regulatory and supervisory responsibilities to continue with efforts at strengthening and stabilizing the banking industry. These reforms will ensure the safety and soundness of banks, aligning macro and micro-prudential risks to bank capital and addressing cross-sectoral and cross-border risks to the industry. In other to address potential risks and to properly risk profile individual banks, we are taking steps to revise the current risk-based supervision framework in line with current developments in the global banking environment.
- 10.** To further boost depositors' confidence and lock-in the reform process, the Deposit Insurance Protection Corporation (DIPC) would become fully operational effective October 1, 2019. The deposit insurance is one of the key pillars in securing financial sector stability. As Amended, the Ghana Deposit Protection Act 2016 (Act 931) was enacted to protect small savings from losses incurred as a result of the occurrences



of an insured event such as the revocation of a Deposit Taking Institution's license. Among others, the Act also supports the development of a safe, sound, stable and efficient market-based financial system. In the process of operationalising the DIPC, the Bank has already sent letters to banks to begin a process of onboarding after agreeing on an annual premium of 0.3 to 1.5 percent of insurable deposits with participating institutions. The Bank of Ghana, which is the Project Implementation Authority, will support the DIPC for 3 years to ensure sustainability. The agreed payout in the event of bank failure and the revocation of licenses have been pegged at Gh¢6,250 per customer for banks and Gh¢1,250 per customer for Specialised Deposit-Taking Institutions.

Consolidating the Gains

- 11.** Going forward, we expect access to credit to be on a predictable and cost effective terms as part of the benefits of the reforms and this week we have met with every bank and discussed ways in which these results can be realised by the end of the year. And such a successful outcome would depend on macroeconomic policies and reforms in the financial sector. But it will also depend on the private sector's own initiative, resourcefulness, and capacity to take advantage of opportunities that have been created by the reforms. We are aware that the clean-up of the MFI has led to a sharp fall in deposit rates of MFI



in Ghana, as depositors would rather save with strong well managed institutions than chase yield. This should have a knock on effect on all deposit rates in the financial sector.

The Receivership Process

- 12.** Ladies and Gentlemen, let me now turn to update you on the receivership process and the progress that has been made so far. We remain confident that despite the initial hiccups associated with records the receivership process has progressed steadily.

The receivership process has progressed steadily in line with expectations and include the following:

- i. Validation of the financial position of the defunct banks;
- ii. Realization of assets/recoveries; and
- iii. To settle creditors and engage other stakeholders.

These activities were subsequently categorised under three phases of the receivership process, namely:

- Phase 1 – preservation of assets and validation of the financial positions;
- Phase 2 – Realization of the assets (including loan recoveries), administration of creditor claims and payment of interim dividends as appropriate; and



- Phase 3 – Complete assets realizations, resolution of matters in litigation, payment of dividends as appropriate, complete administrative and statutory duties.

- 13.** As we speak today, total loans taken over by the Receivers amounted to Gh¢10.1 billion, while total proceeds realized up to date are over Gh¢849 million. These proceeds were realized through loan repayments by customers, placements repaid, proceeds from sale of vehicles, bonds, other income – interest from placements made and the refund of commissions paid. As regulators, we are very grateful for the support received but urge the investigating bodies and the judiciary, the Government, Chief Justice and Security Agencies to work steadily to recover certain assets from shareholders, directors and loan defaulters of the erstwhile defunct banks. Currently, there are fifty-two (52) cases in the various courts in the country, 50 of which have been assigned to specific judges/courts. In addition, over sixty (60) cases have been referred to the Special Investigative Team.
- 14.** The task is enormous but we have confidence in our judicial system to bring those culpable to justice. The Bank of Ghana will continue to work with the Receiver to ensure that bottlenecks in the receivership process cleared for the orderly winding down of the defunct banks.



Internal Reforms

- 15.** Unfortunately, our predecessors in line with the governance challenges in the country at the time allowed the central bank operations intertwined with the political economy thereby committing considerable resources into non-core functions of the bank including building 5-star guesthouses in Takoradi and Tamale as well as the Bank Hospital in Cantonments. We have refocused the Bank around its core central bank responsibilities, that is monetary policy and exchange rate management, price stability, financial stability, banking sector regulations, and supervision. A number of our staff are going through internal administrative process to establish culpability, if any, that contributed to the challenges resulting in the clean-up of the financial sector. Once that process is completed, the public would be briefed of administrative actions that have been taken. In fact, yesterday one staff was dismissed for gross misconduct and conflict of interest involving the award of the Sibton Switch Contract which was cancelled in August of 2017. The signal has been sent clearly to staff about the need to ensure discipline and professionalism in line with the new Code of Conduct that was launched in May this year.



Capacity Building Efforts

- 16.** Mr. Chairman, we will continue with our regulatory reforms and efforts at strengthening the internal structures of the Bank of Ghana to prevent complicity of staff with third parties in the course of discharge of their supervisory duties. The strengthening of our regulatory and supervisory capacity will happen through improved systems, processes, accountability and training, all in a bid to better identify violations, detect early warning signals, enforce the law, and ensure that banks take prompt corrective actions to address emerging risks. Our crisis management framework is also being strengthened to help us contain, manage, and resolve crises more promptly. We are bringing international best practices and standards to create a central bank that is fit for purpose.

Proud of Collaboration

- 17.** Ladies and Gentlemen, at the end of the clean-up exercise, I am confident to say that as a bank, we are proud of the reforms and achievements so far. These have been possible as a result of support and collaboration with key stakeholders, that is the banks and SDIs, strong support from the government, and not the least the strong support from our international partners—the IMF, World Bank, and other development partners.



Conclusion

- 18.** Finally, Mr. Chairman, the Bank of Ghana will continue to pursue policies and programs aimed at developing a vibrant financial system capable of harnessing financial resources for the growth and development of our country. We appreciate the healthy working relationship existing between the Bank of Ghana and the Ghana Association of Bankers and we believe that this co-operation should continue and be deepened to enhance the performance of the banking sector.

Thank you for your attention.