



## **GOVERNOR'S SPEECH FOR THE SOFT LAUNCH OF GUIDELINES FOR REPURCHASE AGREEMENTS IN GHANA: OCTOBER 17, 2019, WASHINGTON, DC**

1. Fellow Governors, Ministers of Finance, CEO and representatives from the International Capital Markets Association (ICMA), CEO and representatives of Frontclear, representatives from the International Monetary Fund, members of the governing council of the Ghana Fixed Income Market (GFIM), investors, distinguished guests, good morning to you all. It is my pleasure to be here with you this morning to officially launch the Guidelines for Repurchase Agreements for the Ghanaian market and to share with you my thoughts on this event and its expected impact on the financial markets in Ghana.
2. Repo markets facilitate the flow of cash and securities in financial markets. A well-functioning repo market contributes to the efficient allocation of capital in the real economy by supporting liquidity in other markets. Repo markets serve several benefits; they provide a low-risk option for cash investment, they transform collateral, support cash-market efficiency and liquidity, facilitate the hedging of risk and enable investors to monetize liquid assets.
3. Mr. Chairman, in Ghana, repos and reverse repos serve as effective instruments for the conduct of monetary policy market operations by the central bank. As at August of 2019, the stock of repos and reverse repos outstanding between the Bank of Ghana and the commercial banks in Ghana was equivalent to US\$350 million. When properly structured, repos are effective vehicles for the monetary policy transmission process and can serve as a vehicle through which the central bank can act more swiftly as a lender of last resort during periods of market stress. Repo markets also foster price discovery by facilitating primary market activity. But we also know that the excessive use of repos can facilitate the build-up of leverage and encourage the over-reliance on short-term funding. It is against this background that we are launching a GRMA-based repo market in Ghana that promotes legal certainty on the enforceability of netting arrangements. It is our conviction that this will provide a clear legal framework and an enhanced credit risk management for participants in

this market and translate to a deeper and more liquid primary and secondary local currency bond markets.

4. The guidelines that we launch today is based on the standard 2011 Global Master Repurchase Agreement (GMRA). All the directives contained in these guidelines are binding on eligible counterparties and serve as regulatory guidance for repo activity trading in Ghana . The introduction of the Guidelines is expected to deepen the financial markets in Ghana through the promotion of a more vibrant and liquid secondary bonds market. A key feature of adopting the GMRA is the transfer of title to collateral securities from the seller to the buyer. The title transfer under GMRA will reduce credit and liquidity risk as it allows the buyer to make use of the collateral during the tenor of the transaction but return the same or equivalent securities at maturity. This will boost secondary trading and price discovery of bonds and offer a cheaper and increased source of short-term funding. The guidelines also specify a wider array of eligible collateral securities and would promote a more liquid repo market. The eligible participants have also been expanded to cover not only banks but SDIs, securities dealers, corporates and high net worth individuals.
5. We have designed a Ghana country annex which specifies the supplementary terms or conditions to the GMRA to cover sell/back and forward transactions and made amendments to paragraph 2, 5, 10, 17, 19, 21 to the GMRA. There is also a Ghana Agency annex to cover transactions where at least one party is acting on an agency basis.
6. As the Deputy Governor said, there is an elaborate training program to ensure that key market players and stakeholders are adequately trained on this new product. This training will cover the banks and the Judiciary. The Judiciary is seen as a key stakeholder as they play a key role in giving legal certainty to the enforceability of standard financial markets master agreements such as the GMRA. On that note, on behalf of the Bank of Ghana and the GFIM governing council, I would like to extend our warmest appreciation to Front Clear who has partnered with us to deliver the training programs targeted to market participants and other stakeholders. I would also like to extend our appreciation to ICMA who has been a very supportive partner and provided key technical support. I also thank the members of the GFIM governing council for their commitment towards the delivery of these guidelines.

7. In concluding, on behalf of the Bank of Ghana and the GFIM governing council, I officially declare the Guidelines for Repurchase Agreements duly launched, this event will be followed by a takeoff launch in Ghana on November 12, 2019. It is our expectation that these guidelines will provide the required boost in creating a vibrant, liquid and transparent bond market in Ghana.

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