



23RD ANNUAL BANKING CONFERENCE
CHARTERED INSTITUTE OF BANKERS, GHANA

KEYNOTE ADDRESS

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**Mr Chairman,
President of the Chartered Institute of Bankers,
Executive Secretary of Ghana Association of Bankers,
Chief Executives of Banks,
Members of the Institute,
Distinguished Invited Guests,
Ladies and Gentlemen,**

- 1.** Thank you very much for the invitation to deliver the keynote address for this 23rd National Banking Conference. This conference hosted annually by the Chartered Institute of Bankers, provides the needed forum to discuss pertinent issues within the banking industry. More importantly, it also reminds us that all too soon another year is gradually drawing to a close.
- 2.** Mr Chairman, we can all attest to the fact that 2019 has been eventful leading to a resilient and rejuvenated banking sector. This comes two years after the Bank of Ghana implemented a comprehensive set of reforms to safeguard depositors' funds, maintain financial stability, and reposition the industry to support the country's economic transformation. The pay-offs for the financial sector reforms has been phenomenal. Banks are now stable, well-capitalized, liquid, profitable, and more efficient with adequate capital buffers. The resilience of the industry to shocks has also improved significantly. These are the supporting bedrock for a sustainable digital banking and payment



ecosystem. Within this context, banks are not only well-capitalized, but managed by fit and proper persons with respect for good corporate governance covenants. We must however not be complacent but as stakeholders we must remain committed to policies sustaining the gains achieved so far.

- 3.** Ladies and Gentlemen, we are all witnesses to the rapid changes brought on by financial technology advancements with alternative payment channels, and innovative products and services, offering better customer experiences and convenience. Given these emerging changes, the chosen theme for this year's conference, that is, "*The Digital Age: Implications for Growth and sustainability of the Financial Industry*" is apt and provides the much-needed opportunity to deliberate on how to leverage on technology to improve efficiency, modernise existing financial business models and grow the industry in a sustainable manner.
- 4.** Ladies and Gentlemen, the Digital Financial Services (DFS) undoubtedly presents a great opportunity for Ghanaians to access affordable, convenient and secure banking services. From the newly minted mobile phone wielding customers; now empowered with access to a range of financial services, to the striving young entrepreneurs; who are finding job opportunities along the value chain, digital financial technologies will continue to define the future of our banking experience. The potential for growth is evident; mobile money



transaction volumes alone increased from 982 million to 1.4 billion between 2017 and 2018. This consistent growth pattern underscores the sustainable nature of opportunity for the banking sector.

- 5.** To fully harness this potential growth, investment and employment opportunity, the Bank of Ghana together with the Government and other agencies have pursued regulatory reforms in the banking and payments industry to provide the legal basis and the enabling environment for a strong banking and digital financial ecosystem. Laws passed under the reform project include the Banks and Specialised Deposit-taking Institutions Act, the Deposit Protection Act, and the Payment Systems and Services Act. By the passage of these laws, the regulatory environment has been enhanced and strengthened and the banking industry is now well-positioned to interface with Fintechs and at the same time offer flexibility to banks to deliver innovative digital products on a large scale.
- 6.** Bank of Ghana will continue to create the enabling regulatory environment that encourages innovation in the industry, accommodate different payment service providers, while also seeking to address inherent risks to financial stability and consumer protection associated with the digitization of financial products and services. It is gratifying to note, that presently, sixteen (16) financial technology firms and twenty-two (22) banks have forged alliances to deliver various financial products and services.



7. Banks are now not only competing among themselves for financial services, but also with non-traditional providers such as financial technology companies (fintechs). This raises the stakes for banks to recalibrate existing business models to appropriately deal with the increased levels of competition or risk being outcompeted. Going forward the main question will be how to sustain the growth of the industry brought on through digitization. Here, I will offer some four key areas that stakeholders within the financial landscape must pursue.
8. To begin with, industry players **must seek partnerships** with one or more non-traditional providers, aggregate multiple products under one payment platform or leverage the potential power of open banking through the use of Application Programming Interface (API). In this direction, stakeholders must seek to establish shared platforms and work collectively to promote merchant acceptance of digitised financial products and services, with particular emphasis on lower tier merchants, such as small and micro-enterprises to accelerate the digitization process. This will reposition the industry to compete as a unified force compared with the myriads of existing fragmented payment platforms.
9. The banking industry also needs to **prepare consumers for digital finance** to sustain the digitization process. Consumer experiences of



banking services are rapidly changing with digitization and there is increasing acceptability and preference for electronic payments for goods and services and online interfaces for business transactions. This provides enormous opportunities for the financial service industry to reassess its business model to meet consumer demands.

- 10.** Greater responsibility in the **education of consumers** to understand the essence of financial protection is also crucial for industry players. While there have been attempts to publicize new digital offerings, some businesses and individuals are uninformed about financial protection while conducting online transactions. This situation can exacerbate consumer risks and reduce public confidence in digitised financial products and services. Information needs of consumers on how to protect themselves against fraud when using digital financial services therefore needs to be addressed.
- 11.** The digital age provides enormous potential for the financial sector to re-orient itself to satisfy the new consumer and business demands for financial services. The greatest obstacles for digital transformation in the financial services industry have been culture, legacy systems, and existing skills sets. Therefore, the industry needs to **retool legacy systems and enhance employee skills sets** to use new technologies such as artificial intelligence, machine learning and other technologies underpinned by data and advanced analytics



to offer better services, increase long-term value and strengthen the ability to adapt and respond to the digital age.

- 12.** To become sustainable, the banking sector also needs to **reassess current fees and charges and promote greater transparency in consumer dealings.** Consumers want cost-efficient and seamless transactions and industry players must optimize the use of digital infrastructure and technology to offer quality service at relatively cheaper costs to consumers.
- 13.** As regulators in the financial system, the central bank has focused extensively on promoting good corporate governance culture, financial integrity, strong risk management practices and strong internal controls. This is because our legitimacy is to protect depositors and ensure public confidence in the financial system. We therefore urge all stakeholders in the financial sector must adhere to the core tenets of integrity and transparency to build and sustain trust in online transactions.
- 14.** Despite the several opportunities offered through digital financial innovation, its delivery has more recently ushered in an increased spate of complex cyber security threats. Consequently, financial institutions need to understand risks associated with digital financial services and provide the right mix of mitigation measures and systems to prevent, detect and respond to such cyber incidents. In this regard,



the Bank of Ghana has issued a cyber-security directive for compliance by banks and payment service providers to build a robust and resilient digital ecosystem. Also, the establishment of the Financial Industry Security Operations (FINSOC) would help collect, analyse, normalise and aggregate system logs, alerts and related cyber security incidents across the industry.

- 15.** Mr Chairman, let me end my speech by reiterating that Bank of Ghana will continue to engage the industry on additional avenues through which digitisation can be promoted in the financial sector landscape. Just yesterday, I announced that Bank of Ghana, in line with Section 10 of the Payment Systems and Services Act 2019 (Act 987), has also granted GCB Bank (Ghana) Limited authorization to issue electronic money similar to what is popularly known as “mobile money”. In its issuance of electronic money, GCB Bank would create electronic value backed by equivalent cash which will afford customers to have access to electronic wallets issued by GCB Bank (Ghana). The GCB Bank plans to leverage on its 189 branch network to offer its own agency banking services.
- 16.** The Bank of Bank is also in discussion with key stakeholders to explore a pilot project (in a sandbox environment) on central bank digital currency with the possibility of issuing an e-cedi in the near future.



17. In conclusion, Mr Chairman, let me note that the future of financial services is digitisation. But, it raises some key strategic issues for the banking industry including how each institution can leverage digital financial services technologies for growth; whether through competition, co-opetition or partnerships. Despite these, the opportunities of digitising financial services are enormous and can be explored effectively to scale up financial access for Ghana's economic transformation agenda. Ladies and Gentlemen, these pertinent issues should help shape the discussions at this year's Annual Banker's Conference and I wish you fruitful deliberations. Thank You.

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