



Launch of Guidelines for Repurchase Agreements

Opening Remarks

**Dr. Ernest Addison
Governor, Bank of Ghana**

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**H.E., Vice President of the Republic of Ghana, Alhaiji Dr.
Mahamadu Bawumia,
Hon. Minister for Finance,
Hon. Deputy Ministers for Finance,
Deputy Governors of the Bank of Ghana,
CEOs and representatives of banks,
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.**

- 1.** Good morning and it is a pleasure to join you at the official launch of the Global Master Repurchase Agreement (GMRA)-based Guidelines for repo trading on the Ghanaian market and the Ghana Fixed Income Market (GFIM). This is once again another milestone as we continuously work to deepen Ghana's capital market. I will briefly share a few remarks on this initiative and the expected impact on the financial markets.

The purpose of GMRA-based repo reforms and GFIM

- 2.** Distinguished Ladies and Gentlemen, a well-functioning repo market contributes to the efficient allocation of capital in the real economy by



supporting liquidity in other markets. Repo markets offer several other benefits such as facilitating the flow of cash and securities in financial markets, providing low-risk options for cash investment thereby supporting cash-market efficiency and liquidity, transforming collateral and facilitating hedging of risks, and lastly, fostering price discovery by facilitating primary market activity.

- 3.** A key feature of GMRA-based repo is the transfer of title to collateral securities from the seller to the buyer. The title transfer under GMRA thereby reduces 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. Ultimately, these dealings should boost secondary market trading and price discovery of bonds and offer a cheaper and increased source of short-term funding. When properly structured to preserve its risk mitigating features, repos become effective tools for effective monetary policy transmission and serves as the channel through which the central bank can act more swiftly as a lender of last resort during periods of market stress.
- 4.** Currently, repos and reverse repos in the domestic financial markets serve as effective instruments for the conduct of monetary policy market operations by the central bank. As at September 2019, the stock of repos and reverse repos outstanding between the Bank of Ghana and universal banks was GH¢1.9 billion, while the volume of overnight interbank trading among universal banks amounted to GH¢27 billion in the third



quarter of 2019. These trends show the huge potential of repos as reliable and cost-effective source for short-term funding for market participants.

5. It is against this background that the Bank of Ghana, together with other stakeholders, have decided to introduce a GRMA-based repo market in Ghana.

What the GMRA-based guidelines seeks to achieve

6. Ladies and Gentlemen, the guidelines being launched today is based on the standard 2011 Global Master Repurchase Agreement. All the directives in the guidelines are binding on eligible counterparties and will serve as the regulatory guidance for repo trading going forward. The key features of the GMRA-based repo guidelines include the absolute transfer of title to the buyer, an expanded list of eligible instruments which would promote a more liquid repo market, an expanded eligible participation to cover not only banks but SDIs, securities dealers, corporates and high net worth individuals, and the requirement for margin maintenance requirements including features such as re-pricing, substitution of securities, and daily margining of collateral and a margin notice deadline which serves to reduce the credit and liquidity risks associated with the use of repos.
7. To provide further guidance, a Ghana country annex has been designed 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, and 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. Going forward, an elaborate training program to ensure that key market players and stakeholders are adequately trained on aspects of GMRA-based repos will be implemented. Let me urge all invited stakeholders to keenly participate in these training workshops to ensure effective implementation.

8. Ladies and Gentlemen, as we launch the GMRA-based guidelines to serve as regulatory guidance for the conduct of repos trading in Ghana, let me announce that Front Clear has offered to commission a Legal & Regulatory Review of the GMRA and ISDA enforceability in Ghana to secure ICMA and ISDA engagement and views towards a clean opinion for the country. This is a key milestone and we are grateful for their assistance. The Bank of Ghana will also issue a notice to clarify the eligibility of netting arrangements under the current Banks and Specialized Deposit Taking Institutions Act (BSDTI Act). The effective date to begin trading this GMRA-based repo guidelines shall be April 2, 2020.

9. To conclude, let me thank the Vice-President for his continued support to on-going reforms as we seek to further improve the depth of Ghana's financial sector. Also, I would like to thank Front Clear who has partnered with us to deliver the training programs, and other stakeholders including



ICMA for their immense technical support on this project. I also thank the members of the GFIM governing council for their commitment towards the delivery of these guidelines. Thank you.

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