

Licensed by



71ST ANNUAL NEW YEAR SCHOOL AND CONFERENCE

Bank of Ghana Forum

**FINANCIAL SECTOR REFORMS
DR. ERNEST ADDISON
GOVERNOR, BANK OF GHANA**

**JANUARY 14, 2020
CEDI CONFERENCE CENTRE AUDITORIUM
UNIVERSITY OF GHANA**



All protocols observed.

Madam Chairperson,

1. It is a great honour to be invited to make a presentation on the financial sector at this 71st Annual New Year School. Let me thank the University of Ghana for continuing this tradition of “the New Year School” which serves as a unique forum for policy makers, the academia, corporate institutions, and people from all walks of life to think through some critical issues that confront this country. As with the theme of the season, the New Year presents an opportunity for us to take stock of what we have achieved in the previous year and set an agenda for the ensuing year, dedicating ourselves to the tasks required to meet new objectives and targets. For us at the Bank of Ghana, it is a time of reflection, reviewing our policies over the past few years and our expectations for the New Year.
2. On assumption of office in April 2017, we were confronted with an economy that was recovering from yet another bout of fiscal crisis after the conduct of a general election which saw the incumbent government losing. The economy was characterised by weak growth, high inflation, a significant current account deficit, and currency depreciation. To stabilize the situation and regain macroeconomic stability, there was a strong focus on implementing a sound policy mix to restore policy credibility. This required strict adherence to fiscal



discipline and a zero tolerance to monetary accommodation of fiscal excesses. Along with this, there was also the need for more effective management of the country's foreign exchange reserves with a view to keeping the currency stable.

3. In addition to macroeconomic challenges at the time, there were simmering issues within the financial sector as well. Even though I had heard about the DKM crisis and difficulties in some banks, I had no idea that the financial sector would be the area that would present the major challenges and require the most difficult policy choices. It turned out that we inherited a banking system that was on its knees, and an equally distressed specialised deposit-taking sector (made up of savings and loans companies, finance house companies, microfinance companies and rural and community banks). From the initial briefing we received from technical assessments (Asset Quality Reviews) carried out on banks in 2015 and updated in 2016 by our Banking Supervision Department and international partners to establish the solvency of the banking sector, two banks (UT Bank and Capital Bank) were clearly classified as deeply insolvent, while seven others had been identified as severely undercapitalized.
4. Faced with these facts, the urgent focus of our initial policies was to design credible plans for the resolution of the two insolvent banks to prevent spillovers to the other banks and the broader economy. In



addition, the other undercapitalized banks were tasked to submit recapitalization plans and work to implement same.

UT and Capital Bank

5. Our immediate efforts to address the insolvency of UT Bank and Capital Bank started with meetings with the shareholders and directors of the two banks, where we shared with them the diagnosis of insolvency and requested them to implement measures to quickly restore their capital adequacy to prudential levels. We were not required to do so under the law as the two banks were already classified as insolvent by the technical assessment carried by BoG prior to the start of my administration. Moreover, the Banks and Specialised Deposit-Taking Institutions Act of 2016 (Act 930) required us to revoke a banking licence once an institution reached the stage of insolvency. Nevertheless, we gave these banks the opportunity to correct the insolvency and tried to exhaust all the options.
6. To start with, UT bank submitted a capital restoration plan which was not credible, essentially requiring Government to take over the bank's portfolio of bad debt it had created through loans that were granted to certain borrowers sometimes above regulatory limits, and that had become unrecoverable. The proposal was simply for Government to assume the cost of these bad loans at the expense of taxpayers, while the shareholders benefitted from an injection of money from Government for the bad loans it would have assumed.



7. It was such a self-serving proposition for shareholders, directors, and managers of UT bank (some of whom were also shareholders) to mismanage the bank through poor credit administration and poor governance in general and require the State to bear the costs of the resulting bad loan portfolio. This was preposterous as it would not only have cost tax payers billions of Ghana cedis for nothing, but it would also have unduly rewarded the shareholders, directors and managers of a bank that had failed because of poor governance and management practices, all a result of voluntary choices made by a group of people who later on felt they deserved to be bailed out by taxpayers.
8. Indeed, so bad was the financial condition of UT Bank that when BoG engaged with other banks to explore whether they would be willing to acquire the bank and rehabilitate it, they showed unwillingness to do so after they had conducted their own independent due diligence on the bank. In fact, one of such potential bank acquirers after their due diligence exercise noted "The poor quality of loans assets, potential tax liabilities, existing litigations and demands by third party lenders for settlement of their accounts makes the acquisition of UT bank as a going concern, a highly unattractive and risky proposition". This conclusion was arrived at based on the following factors:
- UT bank had not filed corporate tax returns since 2015,
 - Asset quality was extremely poor with NPLs of 44 percent,



- Loans that had been classified as performing had not been serviced for a year, indicating that the NPL ratio was underestimated,
 - Collateral security for loans had not been perfected and in most of the cases, the security of loans had not been stamped or registered,
 - The bank was in default of borrowing from several international lenders including the IFC, DEG,
 - There was active litigation against the bank (valued at over GH¢170 million), and,
 - The bank had excessive risk concentration to a few major depositors.
9. Indeed, the potential acquirer's overall assessment was that the net asset value of UT Bank was negative and the only way it could consider an acquisition of the bank would be on condition that the BoG would provide this acquiring institution with the capital to buy UT, as well as provide liquidity support, and provide it with the financial support to acquire the necessary software to run the bank. What is more, the potential acquirer insisted that it would retain only 70 employees of UT bank if it acquired the bank assuming it received the financial support from BoG to do so. Obviously, the Management of Bank of Ghana did not accept these proposals as to do this would have meant that the BoG would have been paying private investors to take over the bank.



10. The other bank, that is, Capital bank, refused to cooperate with potential private sector acquirers and would not even allow due diligence to be carried out. We convened several meetings with shareholders and Directors of the bank to try to ensure that they cooperated with the potential acquirers but their posture remained one of defiance because they had become accustomed to getting things done through influence peddling. Previously, Bank of Ghana had approved several applications for liquidity support to Capital Bank on unjustifiable grounds and Capital bank did not foresee that the BOG would behave differently even under the new management.
11. Three months into office of the new BoG Management, we reached a decision to revoke the licences of these 2 banks but we needed to plan the execution of that decision. Several issues came up. For instance,
- Will revoking the licences on a Friday night be better to allow some time for the receivers to take effective control of the two banks over the weekend or would any other day be suitable?
 - What would be the fate of those who had claims on the two banks? In particular, what would be the fate of depositors whose funds would be locked up in the receivership process for a while pending realisation of value of any remaining assets of these banks?



- Could deposit claims be transferred to a healthy bank to allow depositors to have access to their funds sooner than later, in order that the entire banking system was not threatened by depositors agitating for a return of their deposits?
 - If so, who could act as a credible acquiring banks of such deposit claims? Which of the existing banks at the time had the financial muscle and branch network to handle this effortlessly?
 - How was the transfer of deposit claims to such an acquirer to be funded, given that the value of assets of the two banks did not match the deposit claims that were to be transferred?
 - Who was to bear the cost of paying for the return of depositors' funds?
12. After all these considerations, the Government agreed to provide relief to depositors by stepping in to guarantee the payment of all depositors' funds. This paved the way for the Bank of Ghana to finalise what was to become its eventual resolution approach of protecting depositors from losses by allowing depositors' claims to be transferred through a Purchase & Assumption transaction to a strong and indigenous acquiring bank, that is GCB Bank, to ensure that depositors of the two banks had access to their funds through GCB, supported by a bond issued by the Government to fund the deposit liabilities.



13. So, on the morning of Monday, 7th August 2017, the Bank of Ghana announced the revocation of the licences of the two banks and the appointment of two joint receivers with immediate effect as required by law. By 3pm of the same day, the exercise had been broadly declared as successful as the receivers had taken effective control of all branches of the two failed banks. Most importantly, the assurance provided by the Government that all depositors of the two banks would receive their funds, significantly calmed depositors. Indeed, the Bank of Ghana received international commendation for the smooth execution of the resolution of the two banks.
14. By all indications, this action shook the financial system, and it dawned on all shareholders and directors of the remaining banks that the Bank of Ghana was resolute in executing its statutory mandate with the seriousness that was required to stabilise the banking system. Not surprisingly, the next set of banks that were identified as having challenges responded to enquiries and cooperated more effectively to submit recapitalization plans although it later turned out that these plans did not yield the desired results.
15. Subsequent to the revocation of the licenses of UT Bank and Capital Bank, BOG also commissioned investigative work to examine into more detail, the factors that drove the two banks into insolvency. The report unearthed a number of malpractices dating back to the banks' inception. These included:



- **Indebtedness of shareholders and directors to the banks.**
The shareholders and directors of the bank took huge personal loans from the bank which was not reported to the Bank of Ghana and remained unpaid in contravention of Section 70 (4) of Act 930 (as amended), which states that management of a bank shall report to the Board and BOG an exposure to an insider or related interest of that insider.
- **Non-existence of required capital as licenses were obtained by false pretence or misrepresentations.** The application for a banking license was supported by non-existent investments/placements. Even though this was later brought to the attention of the Bank of Ghana at the time, it decided to convert the shortfall into loans for shareholders instead of revoke the licence.
- **The banks were abused by their related holding companies.** For instance, one bank was paying royalties for the brand name even at a time that the bank's financial performance was abysmal and could not pay dividends. This decision was made by four (4) out of seven (7) members of the Board without the consent of the other significant minority shareholders, including an International Financial Institution. As a result, the international institution abrogated its relationship with the bank and this led to most foreign lenders cutting off their credit lines to the bank and recalling their credits thereby creating serious liquidity squeeze to the bank.



- **Unbridled use of Bank of Ghana Liquidity Support.** Both banks were granted a total amount of GH¢1.48 billion as liquidity support in 3 to 4 tranches under circumstances which were questionable. There was no follow up to ensure that liquidity support was used for the purpose for which they were granted as required by law. In the circumstances, the liquidity support was misused with some of it used mainly for placements, investments, financing related party transactions, and loans to highly politically exposed people.
- **Non-Executive Directors of the banks compromised their independence and fiduciary duties** to serve as checks on Executive Directors. The directors/management of capital bank misrepresented the financial status of the bank when a property belonging to the bank was assigned to one of the shareholders in 2012 without properly accounting for it in the books of the bank.
- **Non-Executive Directors interfered in the day-to-day administration** of the bank which weakened the management oversight function of executive directors. Some non-Executive Directors were also acting as consultants to the same banks with no clear mandate, which gave rise to conflict of interest situations.
- **There was general lack of adherence to credit management principles and procedures** as the banks were heavily exposed to insiders and related parties.
- **Diversion of funds to holding companies and their related parties** was wide-spread. Placements could not be traced to the



bank's records though some customers showed proof of their investments with the Bank.

- **Irregular board meetings** also accounted for the weaknesses in the board oversight, and lastly,
- **Very high executive compensation schemes** were being operated by the affected banks which were not commensurate with their operations. The risk and earnings profile of the banks could not support the compensation schemes.

The Great Consolidation

16. After revocation of licenses of the two banks, the Bank of Ghana started monitoring the implementation of the recapitalization plans for the other banks that had been declared undercapitalised or significantly undercapitalised in the 2015/16 Asset Quality Review. This process brought UniBank under the microscope after the Banking Supervision Department assessed the bank as significantly undercapitalized. BOG subsequently met with the shareholders and directors of the bank to discuss their serious liquidity shortfalls between August 2017 and October 2017.

17. The Bank of Ghana had to support the bank to remain in operation as it tilted on the brink of collapse. With the benefit of hindsight, it appeared that the liquidity support was being used to support the businesses of the group and the bank was not being truthful in its disclosures. Unibank had been on liquidity support for a



long time and as far back as June 2016, the direct liquidity support from the Bank of Ghana to UniBank totalled GH¢1.43 billion. Under circumstances that are still being unravelled, the Bank of Ghana unusually also extended liquidity support indirectly through third party banks to Unibank totalling GH¢1.0 billion in the second half of 2016, bringing the total support to the Bank to GH¢2.43 billion in just a year.

18. By March 2018, Madam Chair, the situation of UniBank had deteriorated to the extent that the new management of the Bank of Ghana appointed KPMG as an Official Administrator (AO) to take over the running of the Bank and to provide independent assessment of conditions within the bank as well as hopefully help to rehabilitate the bank. It took less than 3 weeks for the OA to report back to the BoG of very serious findings that had been uncovered with the overall assessment that the bank was insolvent and not viable. Specifically, the findings on UniBank within the first few weeks of official administration revealed a number of troubling occurrences such as:

- **Gross misreporting of financial information.** The OA found out that UniBank had consistently underreported the size of its liabilities on its balance sheet to BoG and the public, and that it had assumed a significant amount of liabilities and granted loans, advances, and other forms of receivables (totalling about GH¢3.8 billion) which had not been reported, contrary to statutory requirements. The bank had also deferred the



recognition of some significant expenses incurred in prior years and were amortising these expenses over a number of years. This was done to enable the bank present positive financial performance in the periods the expenses were incurred. Similarly, a number of guarantees issued by the bank to related and connected parties, which were either solely approved by the CEO of the bank or jointly with other officials, were consistently omitted from the bank's list of guarantees provided to the BoG.

- The bank was **unable to meet its deposits** as and when they fell due without reliance on BoG liquidity support.
- The bank continued to **grant loans and undertake investments** using BoG liquidity support.
- **Diversion of credit lines** provided by foreign lenders to unintended beneficiaries (mostly related parties), siphoning of funds from the banks to finance the operations of related parties
- **Properties acquired by Related Parties with funds siphoned from uniBank:** Title to various properties paid for by the bank and recorded in the bank's fixed assets register under caption "Capital Work In Progress (CWIP)" amounting to GH¢28.2 million were registered in the names of the holding company HODA, and a number of affiliates namely Bolton Portfolio Limited, Alban Logistics, and StarLife Assurance Company.



- **Income not sufficient to cover expenses** even as the earning capacity of the bank continued to deteriorate as majority of its loans and advances had been granted to related parties who were defaulting.
 - **The bank had High NPLs (over 89%) and weak governance and internal control systems** with significant deficiencies in credit underwriting and loan approval processes, compliance and reporting.
 - **Shares Purchased in ADB Bank during IPO** with BOG liquidity support: A significant number of ADB shares were acquired by Belstar and Starmount, with funds obtained from uniBank Ghana Limited from emergency liquidity support obtained by uniBank Ghana Limited from the Bank of Ghana under questionable circumstances. Thus, part of the liquidity support obtained by uniBank was improperly and unlawfully on-lent to Belstar and Starmount to acquire shares including shares held by the Financial Investment Trust, on behalf of the Bank of Ghana, in ADB's IPO.
19. As of May 2018, the OA revealed that Unibank was insolvent with a Capital Adequacy Ratio (CAR) of negative 74.65 percent even after making sufficient adjustments to offset outstanding debt owed by government contractors. The OA's technical assessment was that the bank's equity value was negative and its continued existence



posed systemic risks to the entire industry. This was consistent with the Bank of Ghana's technical assessment at that stage.

20. Consequently, in August 2018, the license of uniBank and four others were revoked. The four other banks were Beige Bank, Construction Bank, Royal Bank, and Sovereign Bank. Beige Bank and Royal Bank were assessed to be insolvent, while Sovereign Bank and Construction Bank had been found to have obtained their licenses by false pretences and did not have the required capital to have been issued a bank license.
21. On the strength of another Government guarantee of depositors' funds, BoG adopted the approach of transferring depositors' claims against the five banks to an acquiring bank to grant them access to their funds sooner than later. In the absence of any existing bank willing to acquire the deposit liabilities of the five banks, the Government triggered the "bridge bank" tool under the banking law and established a new bank called Consolidated Bank, Ghana (CBG) fully capitalized at GH¢450 million and licensed by BoG to assume the deposit liabilities and the few remaining good assets of the five banks. The Government issued a bond (GH¢7.6 billion) to finance the gap between the deposit liabilities and good assets assumed by the bridge bank.



22. As part of the comprehensive clean-up of the banking sector, the Bank of Ghana identified two additional banks—Premium and Heritage—for resolution in December 2018 and on the 4th January, 2019 announced a revocation of their banking licences, the appointment of a receiver, and the transfer of their deposit liabilities and good assets to CBG, with financial support by Government. Specifically, Premium Bank was assessed to be insolvent as of 31st December 2018 and was also found to have obtained its banking licence by false pretences on the basis of false and non-existent capital; while Heritage Bank was found to have been formed with suspicious capital and also failed to meet the Bank of Ghana’s new minimum capital requirement as of 31st December 2019.
23. Following the recapitalisation exercise that ended at the close of business on 31st December 2018, 23 banks met the new minimum paid-up capital of GH¢400 million either on their own, by merging with other banks, or by acquisition through other banks or the Government-administered scheme called the Ghana Amalgamated Trust. The recapitalisation exercise has since repositioned the banking sector as better capitalized, liquid, stronger, and more resilient.
24. On completion of the banking sector clean-up, the Bank of Ghana turned its attention to the specialised deposit-taking institutions sector made up of savings and loans, finance houses, and microfinance companies. Between May and August 2019, the Bank of



Ghana revoked the licences of 347 insolvent microfinance companies (including 155 companies that had already ceased operations) and 23 savings and loans companies and finance house companies, all of which were assessed as insolvent. A receiver was appointed for these companies and refund of depositors' funds have been progressing steadily, with funds provided by the Government.

25. Finally, the Bank of Ghana also revoked the licences of a number of other failed institutions, namely, 29 microcredit companies (including 10 of such companies that had already ceased operations), a leasing company, and a remittance company, while referring them to the Registrar General for liquidation under the NBFIA Act and other relevant legislation.

The Receivership Process

26. Madam Chairperson, let me now update you on the progress made so far on the receivership process for the banks, savings and loans companies, finance houses, and microfinance companies whose licences were revoked. The BoG remains confident that despite the initial hiccups associated with records, the receivership process has progressed steadily. The receivers continue to validate claims of all claimants of the defunct institutions, pay out depositors' claims, and realise and recover assets to pay remaining claims to the extent of any asset realisations.



27. As we speak today, total loans taken over by the Receivers amounted to GH¢16.56 billion, while total proceeds realized up to date are above GH¢1.2 billion. These proceeds were realized through loan repayments by customers, investments recovered, proceeds from sale of vehicles, and other income traced and recovered. To some extent, the recovery efforts have been hampered by frivolous legal challenges mounted by some complicit persons intending to frustrate the receivers. These schemes ought not to be countenanced by the courts, as they do not inure to the benefit of the real victims of these multiple failures, the taxpayers that have had to pay for the cost of these failures, and must not be left holding the raw end of the stick in the circumstances.

28. Details of suspicious transactions, misappropriation of funds, false accounting and misreporting have been referred to the criminal investigative authorities and the Attorney General. We expect that criminal behaviour, once established, will be prosecuted and perpetrators brought to book. We will continue to urge the law enforcement agencies and criminal investigative authorities to expedite their investigations into several suspicious transactions brought to their attention by the Receivers to facilitate prosecutions that may be necessary to ensure that justice is served.

29. On our part, the Bank of Ghana has undertaken a comprehensive and detailed internal investigation into possible



complicity of our staff. Management has sent clear signals to staff about the need to ensure discipline and professionalism in line with the Bank's new Code of Conduct that was launched in May 2019 alongside the establishment of the Ethics and Internal Investigations Office.

The Malaise in the Banking Sector and the Broader Issues

30. The revocation of the 420 licences in total was a painful but necessary exercise, to sanitise our financial system while creating the environment for stronger and well-run institutions to thrive and play their expected role of supporting businesses of all sizes and households.
31. In the case of the failed banks, one thing was clear and that is, banks were set up overnight by little or no capital and by persons with little or no experience in running successful banks. What is more, all the resolved banks were managed or controlled by shareholders with complete disregard for prudential norms and best practices in corporate governance and the management of banks. It became clear that these institutions were set up to use depositors' funds to finance other businesses of shareholders or other related or connected companies. In the process, oligarchies were formed involving various groups of companies under the control of common shareholding by a few politically-connected persons whose relationship with political authorities gave them a false sense of



protection from the law and dared to do the unthinkable at the expense of depositors whose funds were used to keep these groups going.

32. Complicity of Bank of Ghana as the regulator and supervisor of the industry was another key factor. Poor licensing practices that led to licences being issued without the appropriate due diligence on shareholders, capital, and other key areas was evident. Poor supervision, and the granting of excessive levels of liquidity support to failing banks, without addressing the underlying problems that led to the illiquidity and insolvency of these institutions did not help matters.

33. The underlying causes of the multiple savings and loans, finance houses, and microfinance company failures were no different from the banks. Poor licensing standards, weak capital, weak governance, and accountability lending to related parties and cronies, poor risk management, and misreporting, among other things.

Restoring the Health of the Banking Sector

34. Madam Chairperson, the Bank of Ghana has 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 what it was at the beginning of 2017. It is better capitalized, liquid, profitable, and more



efficient and has adequate capital buffers to manage adverse external developments. Such an optimistic outlook seemed nearly impossible in 2017 when the reforms started.

35. Madam Chairperson, allow me to turn attention to the various postclean-up reforms the Bank of Ghana has undertaken to address the key causes of the systemic failures that took place, and to address what we saw as overall risks to the stability of the industry.

36. Madam Chairperson, our reform approach has been three-pronged, involving **(i) Enhancements to the regulatory regime; (ii) Sharpening the Bank's monitoring, supervision and enforcement tools; and (iii) enhancing the capacity and ethical culture of Bank of Ghana's supervisory departments and that of the industry.** Let me expand on these three components of our post-clean-up reform initiatives.

(i) Enhancements to the Regulatory Regime for Banks and SDIs

- Enhancements of our regulatory regime is key to closing the regulatory gaps that some banks and SDIs exploited leading to their ultimate demise. To help address the underlying causes of the failures of banks and SDIs, the Bank of Ghana has introduced a number of rules (such as the Corporate Governance Directive and the Fit and Proper Person Directive) to ensure



- that shareholders of banks and SDIs do not only have the requisite amounts of capital, but that they also are of the calibre, and have the integrity to exercise control over these institutions primarily in the interest of depositors, and other key stakeholders including the stability of the entire financial system;
- that bank and SDI Boards are composed of persons that understand their duties as directors of financial institutions, are capable of exercising strong and independent oversight, and are able to ensure that the interests of all relevant stakeholders are protected;
- that banks and SDIs have key management personnel that have adequate qualifications and experience and integrity to effectively manage these institutions ; and
- that banks fully embed compliance with regulatory requirements and ethical standards as part of their overall risk management frameworks, with compliance officers and Boards ensuring that compliance is prioritised. We have also introduced a new Capital Requirement Directive under the Basel II/III framework for regulating banks, to ensure that banks set aside adequate capital to cover unexpected losses, so they are more resilient to capital shocks.



- In addition to these rules, a number of other rules are in the process of being finalised for consultation with the industry. These will among other things (a) strengthen the risk management requirements for banks and SDIs; (b) introduce more transparency in conglomerate or financial group structures to prevent the abuses of banking affiliates that were witnessed in the crisis; (c) strengthen the emergency liquidity support framework to remove opportunities for abuse; (d) remove ambiguities and clarify the boundaries of the mandate of the SDI sector so that institutions stay within the remit of their licenses and do not take on risks for which they do not have adequate capital and risk management systems to support; and (e) address weaknesses in business models of the SDI sector.

(ii) Sharpening our monitoring, supervision and enforcement tools

- In addition to new rules of the game, we have introduced measures to ensure that the main instruments used in enforcing our rules are sharpened. Specifically, (a) we have revamped our structures and procedures for licensing with more thorough due diligence and capital verification processes; (b) introduced an enhanced process for making new rules which involve a more structured stakeholder consultation



process to transparency in the policy development process and promote smooth implementation of new rules; and (c) introduced enhanced processes for examination (on-site and off-site) of our regulated institutions, increased the frequency of on-site examinations, and strengthened accountability for supervisory follow-up of examination findings.

- We have also recently invested in a new state-of the art surveillance software and its development is almost complete. This new electronic surveillance system will not only help to capture supervisory data from regulated institutions more accurately and help prevent the high incidence of misreporting we witnessed with the failed institutions, but it will also enhance the analytical capacity of our supervision teams and help with more effective reporting of supervisory concerns to management of the Bank of Ghana for appropriate action to be taken.

(iii) Enhancing the capacity and ethical culture of Bank of Ghana's Supervisory Departments

- We have increased the budgetary resources available to our Departments that regulate and supervise the financial sector. Secondly, we have increased the staff strength of our Banking Supervision, Other Financial Institutions Supervision, and Financial Stability Departments to enhance their capacity,



drawing on additional skills in the Bank of Ghana as well as from the private sector. Thirdly, we have commenced the redesign of training programmes for staff of our Supervision Departments, to further enhance the quality of policy development, examinations, and reporting on regulated institutions.

- In addition to critical training and technical assistance provided by the IMF, World Bank, foreign regulatory authorities, among others, the Bank of Ghana is designing a more structured standing training programme to retool its supervisory staff to promote higher standards of professionalism and ethical behaviour. The key objective here is to ensure that our teams are better able to identify early warning signs, enforce regulatory requirements and ensure that prompt corrective action is taken by banks and SDIs to help reduce the risk of failure.

37. Madam Chairperson, these are but a few of the initiatives the Bank of Ghana has undertaken under my leadership over the last three years. With the objective of promoting the overall resilience of the banking sector, and beyond that to promote the banking sector's effectiveness in supporting inclusive and sustainable economic growth, we have also embarked on a number of other reforms. These include (1) new rules to promote Cyber and Information



Security; (ii) enforcement of NPL write-off policy to ensure that banks fully account for and absorb losses incurred from loans they grant that they are unable to recover within specified time periods; (iii) new policy initiatives to promote lending to SMEs by earmarking 2 percentage points of primary reserved kept by banks with the Bank of Ghana for lending to SMEs, to help increase the availability of credit to the private sector and at affordable rates; (iv) launch of the sustainable banking principles by which banks in Ghana will conduct their business to promote responsible and environmental and social practices that inure to the benefit of the economy and communities otherwise at risk; and (v) continuous regulatory policy enhancements to promote more innovation in the financial system through appropriately-regulated technologies to drive new savings, credit, and payment products and services that promote efficient, convenient, and inclusive financial services.

38. We have also deepened cooperation with key stakeholders to enhance our supervisory efforts. Together with other financial sector regulators under the auspices of the Financial Stability Council recently established by the President, we have strengthened monitoring of overall risks to the financial system, while the Bank is also ensuring that it strengthens supervisory cooperation with external supervisory authorities in respect of banks operating in Ghana but with foreign parents or affiliate companies.



39. The recent launch of the Ghana Deposit Protection Scheme is another feature of a more resilient financial safety net for Ghana. The Ghana Deposit Protection Corporation (GDPC) is now fully operational, with all banks, savings, and loans companies, finance houses, microfinance companies, and rural and community banks, currently admitted as members of the scheme. Initial premiums paid by these member-institutions and subsequent annual premiums that will be paid will be invested by the GDPC and used to pay depositors of these institutions in the event they fail in future.

Conclusion

40. Madam Chairperson, our mandate to promote the stability of Ghana's financial system involves a dynamic process of constantly reviewing our regulatory and supervisory framework and tools to ensure that they are able to help us deliver on the mandate. What I have attempted to do in the last hour or so, has been to recount the state of the banks and SDI sector which we inherited when we took office almost 3 years ago, with a state of affairs that would later be characterized as perhaps the worst financial sector crisis the country has ever experienced. What was more worrying was that this happened a decade after the global financial crisis from which it appeared the country had learnt no lessons about the consequences of poor regulation and supervision of financial institutions that are often prone to greed and excessive risk-taking at the expense of clients and sometimes ultimately taxpayers. I have also attempted to



explain the key underlying causes of the multiple failures we inherited, while taking the time to highlight some of the key reforms we have since undertaken not only to clean up the colossal mess, but also to rebuild the regulatory regimes, and improve on the structures and systems to help establish a strong and efficient financial sector that will support the country's developmental goals.

41. Madam Chairperson, let me assure you and the good people of Ghana that the Bank of Ghana under my leadership and hopefully long thereafter, will uphold the highest standards in the regulation and supervision of financial institutions entrusted to us by law, and we will not fail the people of this dear nation. We count on the support of all stakeholders as we focus on delivering on our mandate. So help us God! Thank you.