



BANK OF GHANA

NOTICE NO. BG/GOV/SEC/2020/01

NOTICE TO BANKS AND SPECIALISED DEPOSIT-TAKING INSTITUTIONS (SDIs)

GUIDANCE ON THE UTILISATION OF CAPITAL AND LIQUIDITY RELEASES TO BANKS AND SDIs

This Notice is a follow-up to the Monetary Policy Committee Press Release, dated 18th March 2020, which indicated additional measures being undertaken by the Bank of Ghana, to contain the impact of the COVID-19 on the Ghanaian economy. The additional measures included the following:

- i. Reduction of the Primary Reserve Requirement from 10 percent to 8 percent to provide more liquidity to banks and SDIs to support critical sectors of the economy;
- ii. The reduction of the Capital Conservation Buffer (CCB) for banks from 3 percent to 1.5 percent to provide the needed financial support to the economy;
- iii. The reduction of provisions for loans in the "Other Loans Especially Mentioned" (OLEM) category from 10 percent to 5 percent for all banks and SDIs as a policy response to loans that may experience difficulty in repayments due to slowdown in economic activity; and
- iv. Loan repayments that are past due for Microfinance Institutions for up to 30 days shall be considered as "Current" as is the case for all other SDIs.

MONITORING MECHANISMS

The Bank of Ghana hereby emphasises that the policy objective for the above-mentioned additional measures introduced on 18th March 2020, is to enable banks and SDIs to provide more liquidity and financial support to critical sectors of the economy to mitigate the adverse impact of COVID-19 on the Ghanaian economy.

The Bank of Ghana has therefore put in place, monitoring mechanisms, to ensure that these policy measures are effective in achieving their stated policy objective. Consequently:

- Banks and SDIs are to refrain from declaring and paying dividends or making other distributions to shareholders for the 2019 financial year unless the Bank of Ghana is satisfied, that the institution meets the regular prudential requirements and is not relying on the additional liquidity released by the policy measures enumerated above to pay shareholders. All banks and SDIs shall therefore seek the Bank of Ghana's prior approval in writing before the declaration and payment of dividends.
- Banks and SDIs are to desist from utilising the released liquidity based on the above policy interventions, to purchase Government of Ghana and Bank of Ghana Securities.
- The Bank of Ghana shall monitor banks and SDIs' financial dealings on a weekly basis, to ensure full compliance with the above directives. Failure to comply with this Notice shall attract sanctions in accordance with the relevant provisions of the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930).

Banks and SDIs are hereby advised to take note of the above and be guided accordingly.

**(SGD.)
SANDRA THOMPSON (MS)
THE SECRETARY**

20th March 2020