



Mrs Addo Awadzi after delivering Key Note Address at GHASALC AGM in 2019

INTERVIEW WITH **MRS ELSIE ADDO AWADZI**

SECOND DEPUTY GOVERNOR, BANK OF GHANA

Welcome, Madam. We are very honoured to be able to interview you today.

Thank you for the opportunity. I am truly honoured.

You were appointed Second Deputy Governor of the Bank of Ghana by H.E. the President in February 2018. How has the journey been so far?

I got appointed at a time when the Bank of Ghana had closed two failed banks, and a lot more cleaning up was necessary

given the state of the banking sector. I settled in to work almost immediately, supporting the Governor in his vision to clean up the Banking and the Specialised Deposit Taking Institutions (SDIs) sectors and to restore confidence, integrity and professional standards in the industry.

Following the clean-up, which was completed in August 2019, we focused our attention on strengthening our regulatory framework to address gaps and weakness identified, and making our supervisory structures and processes more robust while strengthening the capacity of our supervisory staff. Just

when we were beginning to see signs of the industry bouncing back to resilience, the world and for that matter the country was hit with the COVID-19 pandemic. This has required extra vigilance on our part to fully appreciate the pandemic's impact on the financial sector and on the economy as a whole, while designing appropriate interventions to address these impacts. All in all, these last couple of years have been intense and challenging, but a resolute focus on service to our nation has kept me going. The exemplary and visionary leadership of the Governor, Dr. Ernest Addison, the support of my colleagues, the First Deputy Governor, Dr.

Maxwell Opoku-Afari, and our excellent technical team across the Bank (the unsung (s)heroes) have made all the difference.

What are your responsibilities as Second Deputy Governor?

My official responsibilities include supervisory oversight over our bank and SDI regulatory and supervisory functions as well as our financial stability mandate.

This is in addition to overseeing other key areas of the Bank's operations, and generally supporting the Governor in steering the affairs of the Bank. I am also a member of the Bank's 13-member Board of Directors, and a member of the statutory Monetary Policy Committee. I also serve on the Financial Stability Council established in January 2019 by H.E. the President and represent the Bank on a number of public sector Boards and committees.

You have had a very rich career over the last 24 years both locally and internationally. Please tell us briefly about your professional background and how that has supported you in your current role.

I started out as a corporate lawyer in early 1996 after I completed the Ghana School of Law in 1995. After a few years of working on the legal aspects of complex corporate finance transactions, I decided to enroll in business school to study finance. This was to augment my professional background in law to help me better advise clients. After graduating from my MBA (Finance) programme in the year 2000 from the University of Ghana Business School, I worked briefly with Barclays Bank (now ABSA) as a Senior Treasury Dealer, taking positions in local currency and foreign currency transactions on behalf of Barclays. I enjoyed this for a while, but it wasn't long before I realized I wanted something more. My ideal role was going to be one that gave me the opportunity to use both law and finance and not one or the other only. I left Barclays in search of that ideal career. I spent some time working for a consulting firm which gave me ample opportunity to work on a wide range of projects including corporate finance, bank restructuring,

public debt restructuring, capital markets development in Africa, and financial sector policy reforms, among others, all of which gave me the room to combine both my legal and finance expertise. I then went on to set up a boutique law practice that focused on advising local and international financial institutions on loan and equity transactions, as well as advised several public sector agencies and donor agencies on a wide range of policy and legislative reforms to support financial sector development and private sector-led growth. Along the line, I got into mainstream financial regulation by serving as a Commissioner of the Securities and Exchange Commission for six years.

In 2008, I relocated to the U.S. for family reasons. While there, I studied for another Master's Degree in International Business and Economic Law at the Georgetown University Law Centre in Washington, D.C. My studies at Georgetown focused on international finance, financial regulation,



MRS ELSIE ADDO AWADZI
Second Deputy Governor, BoG

”
The exemplary and visionary leadership of the Governor, Dr. Ernest Addison, the support of my colleague the First Deputy Governor, Dr. Maxwell Opoku-Afari, and our excellent technical team across the Bank (the unsung (s)heroes) have made all the difference
”

international trade, and other economic policy-oriented subjects that brought home lessons from economic and financial crises from all over the world since the Great Depression of the 1930s. Towards the end of my studies at Georgetown, I participated in Georgetown's annual externship programme with the International Monetary Fund (IMF) under which students could work on specific IMF research projects for academic credits.

After completing my Master's Degree in 2012, I applied to the IMF for full-time employment and was successful after a very competitive recruitment process. I worked from the IMF's Headquarters in Washington D.C. for six years during which time I advised many country authorities (mostly Finance Ministries and Central Banks) in Africa, Asia, the Caribbean, Europe, and the Middle East on banking sector regulatory reforms, banking sector crisis management, and public financial management reforms. I believe that my diverse experiences and my multidisciplinary skills have prepared me sufficiently and helped me navigate my current role.

In your opinion, how has the recent banking and SDI sector clean-up in Ghana gone so far? What have been the gains?

The clean-up exercise saw the closure of nine (9) universal banks, 23 savings and loans companies and finance house companies, 347 microfinance companies (including 155 companies that had already folded up), 29 microcredit companies (including 10 that had folded up), a finance leasing company, and a remittance company.

These institutions had become failed institutions as they were insolvent or severely undercapitalized with no prospects of recovery. Many of them were unable to meet their obligations to customers and other creditors, and their continued existence affected the stability of the rest of the financial system. The relevant law under which the Bank of Ghana regulates and supervises the industry required the

closure of these institutions to protect their depositors and the public at large from continuing to deal with them.

The process of winding down the affairs of these institutions is ongoing. Thanks to financial support provided by Government, depositors of these institutions have been paid their validated claim in cash and with financial instruments, and employees as of the date on which these institutions were closed are being settled with terminal payments. These interventions have brought great relief to several thousands of Ghanaians. These were people who were not able to access their deposits from these defunct institutions long before we closed them down. Several of these institutions had actually folded up, and locked their doors to depositors without warning, leaving them with no hope of ever retrieving their funds.

A number of these institutions had court actions pending against them or judgments obtained against them in favour of depositors who could not recover monies they had saved with them. Employees of many of these institutions were being paid below the minimum daily wage and had in many instances not been paid salaries for several months running sometimes into years. Our interventions not only cleaned up the financial sector, but also provided a lifeline to many depositors (including other financial institutions who held funds with banks and SDIs) as well as employees and their dependents. All in all, these interventions were positive for the economy. It is also important to keep in mind that the clean-up paved the way for stronger financial institutions to emerge, to better support economic actors than ever before. As a result of the clean-up, the banking sector is currently healthier and better able to





withstand external shocks compared to the period before the clean-up.

The SDI sector is also in a better state now and is in the process of rebuilding capital buffers.

Following the clean-up exercise, what other reforms is the Bank of Ghana rolling out to further strengthen the SDI sector?

Currently, the SDI sector comprises of 25 Savings and Loans Companies, 15 Finance House Companies, 144 Rural and Community Banks, and 137 Microfinance Companies.

A number of important reforms have taken place and others are ongoing, the objectives of which are to address the key causes of the systemic failures that took place in the SDI sector including poor licensing standards, weak capital, weak governance, poor risk management practices (including significant lending to related parties and cronies that created unrecoverable loans and investments), among others. Our recent reforms include the issuance of a Corporate Governance

Directive and a Fit and Proper Persons Directive in 2018 and 2019 respectively.

We have also been working on a new Directive on risk management, while sharpening our supervision and enforcement tools and enhancing the capacity and ethical culture of supervisory departments.

We expect institutions in the Savings and Loans sector to reassess their business models to ensure that they are aligned with the public policy objective for which the sector was created, which is to promote financial inclusion through suitable financial services for small businesses and households

The process of good regulation and supervision is a dynamic one that requires constant improvements to help us promote the safety and soundness of the sector.

What are the Bank of Ghana's expectations for the Savings and Loans sector going forward?

We expect institutions in the Savings and Loans sector to reassess their business models to ensure that they are aligned with the public policy objective for which the sector was created, which is to promote financial inclusion through suitable financial services for small businesses and households who otherwise do not have access to banking services. There are still many Ghanaians with

no access to savings accounts and much-needed credit to support their economic activities. This presents enormous opportunities that the sector can pursue in order to grow.

We also expect them to manage their risks prudently considering the extent of their capital base, and to safeguard the interest of their depositors. We expect shareholders of Savings and Loans companies to appoint directors who fully understand their statutory duties as well as the legal consequences of failing to discharge those duties. Savings and Loans companies must also invest in the right caliber of managers to manage their affairs prudently.

The Bank of Ghana has provided some regulatory reliefs to the Savings and Loans sector in view of the ongoing COVID-19 pandemic. Are more reliefs being contemplated?

Since March 2020, we have provided several policy and regulatory reliefs for SDIs in addition to our monetary policy rate reduction of one hundred and fifty basis points that allowed them to reduce their lending rates for the benefit of their customers. Some of these reliefs include a reduction in the level of provisioning required for loans in the "Other Loans Exceptionally Mentioned" category (i.e. loans past due by 30 days but below 90 days past due) from 10% to 5% to ease the

burden of provisioning on SDIs. In May 2020, we also reduced the 8% primary reserve ratio for Savings and Loans companies and Finance House companies to 6%, which we estimated would release additional liquidity of GHS 73.36 million for these institutions. We also committed to putting in place a framework to activate section 46A of the Bank of Ghana Act 2002 (Act 612) as amended, to provide liquidity support to Savings and Loans and Finance House companies facing temporary liquidity challenges, based on strict compliance with eligibility criteria and conditions established by law. We have also issued guidance to SDIs on the accounting and prudential treatment of loans restructured for customers who are unable to service their loans as a result of the impact of the COVID-19 pandemic.

The Bank of Ghana believes that these measures will go a long way to release liquidity to the SDI sector to enable them to support their customers and continue lending to viable micro and small businesses. No one really knows how this pandemic will continue to evolve and how it will ultimately impact our economy, so it is premature to know whether additional policy and regulatory reliefs for the sector will be needed. We will continue to monitor developments in the sector and will respond with additional measures if needed.

So, having cleaned up, introduced new reforms, and responded to the pandemic with policy and regulatory reliefs for the banking and SDI sectors, what is the broad vision of the Bank of Ghana for the industry?

The Bank of Ghana under the leadership of Governor Addison is focused on building a strong banking and SDI sector that contributes to the stability of the financial system and helps to support economic growth in Ghana from the bottom up. To that end, the Bank of Ghana is promoting robust regulation and supervision of the industry, and high standards of professionalism, integrity, and consumer protection.



“There are no short cuts to success. Do your best in all things, and trust God to do what only He can do. Never stop believing. Keep investing in yourself, and invest in others. Never walk alone.”

We are also actively pursuing efforts to promote digital financial services, not only to increase efficiency in the provision and use of financial services, but also to improve access for all, especially unbanked and underbanked groups such as women, the youth, and informal sector business owners. We will expect Savings and Loans companies to scale up their capital base and invest in emerging technologies and the requisite human capital in order to be well-positioned to improve their efficiency and impact throughout the economy.

Any final thoughts for the Savings and Loans sector, and for our customers?

In closing, let me reiterate the Bank of Ghana's commitment to ensuring that we deliver on our constitutional and statutory mandate to promote macroeconomic stability as well as financial stability. To promote financial stability, we regulate and supervise institutions like Savings and Loans companies, to help them stay safe and sound, while providing real opportunities for ordinary Ghanaians from every walk of life to access critical

financial services in every corner of the country. Savings and Loans companies must operate within the rules that govern their sector and must at all times be governed and managed in a manner that makes them worthy of the trust reposed in them by their customers. It is important for them to remember that breaches of regulatory and prudential norms ultimately lead to the demise or collapse of financial institutions. The chickens always come home to roost! It is therefore incumbent on all key stakeholders, including shareholders, directors, managers and other employees of these institutions, to work together towards strengthening these institutions. We want to see strong and viable indigenous Savings and Loans companies that operate on a sustainable basis for centuries and even branch out into neighbouring countries. This is not possible without strong and prudent governance and management.

Customers must also remember to choose their financial institutions carefully, ensuring that they understand the licence type of their institution, who regulates them,

and the permitted activities for that licence type. Strangely, we observed in the course of the clean-up that many customers did not understand that different categories of financial institutions had different permitted activities and that not all of them were regulated by the Bank of Ghana. It is important for Savings and Loans companies to step up their public education efforts to better explain their products and services to their customers, as well as how customer complaints are handled both at the level of the Savings and Loans companies and at the Bank of Ghana. Finally, customers must apply loans they obtain judiciously and ensure that they keep up with repayment obligations in order to build a good credit history that supports affordable borrowing from banks or SDIs in the future.

The Bank of Ghana will continue to work closely with all stakeholders to help unleash the full potential of the Savings and Loans sector to support our national economic aspirations.

What do you love to do when you are not working?

That is an interesting question given the amount of time I spend on work, but I do love to pray, work out, spend quality time with my family, catch up with close friends when I can, and occasionally curl up with a good book and soothing music.

What is your favourite quote or wise saying, and why?

If I were to sum up my world view in a single quote, it would be:

“Impact your world right where you find yourself and in whatever you find yourself doing. Dream big, and create the future you desire through hard work, integrity, and a positive attitude. There are no short cuts to success. Do your best in all things, and trust God to do what only He can do. Never stop believing. Keep investing in yourself, and invest in others. Never walk alone.”

Thank you so much, Madam, for your time and valuable insights.

Thank you for having me. It's been an absolute pleasure.

”

Impact your world right where you find yourself and in whatever you find yourself doing. Dream big, and create the future you desire through hard work, integrity, and a positive attitude

”