



BANK OF GHANA

DRAFT CORPORATE GOVERNANCE DIRECTIVE

For Rural and Community Banks

NOVEMBER, 2020

TABLE OF CONTENTS

PART I - PRELIMINARY	3
Title	3
Application	3
Interpretation	3
Objectives	4
PART II— RELEVANT LEGAL REQUIREMENTS.....	5
Disqualification of Directors, Employees and Key Management Personnel.....	5
Disclosure of Interest by Directors	5
Intervention of the Bank of Ghana in Appointments.....	6
PART III— SOUND CORPORATE GOVERNANCE STANDARDS	7
Shareholding and Ownership	7
Restrictions on shareholding of Rural and Community Banks.....	7
Board Charter.....	7
Duties of the Board.....	8
Board’s Roles and Responsibilities.....	8
Compliance Declaration	9
Duty of Care and Loyalty	10
Corporate Culture and Values	10
Succession Plan	10
Separation of Powers.....	10
Restrictions to Directors	11
Board Qualifications and Composition	11
Board Size	11
Directors’ Appointments	11
Board Chairperson	11
Board Secretary	12
Board Meetings.....	12
Board Discussions.....	13
Board Sub-Committees	13
Audit, Risk and Compliance Sub-Committee	14
Credit Sub-Committee	14
Appointment of Key Management Personnel.....	14
Key Management Personnel Responsibilities	15
Internal Auditor.....	15
Appointment of External Auditors.....	16
Internal and External Audit Functions.....	17

Board Compensation	17
Disclosure and Transparency	17
Ethics and Professionalism	18
Corporate Governance Certification	18
Cooling-off Period.....	18
Relevant Provisions of the Act 930	19
PART V - TRANSITIONAL PROVISIONS	20
Tenure of Board Chairperson	20
Tenure of Directors.....	21
Tenure of General Manager/Supervising Manager	21
Tenure of External Auditor	22
Effective Implementation Date.....	22
APPENDIX.....	23
1. Governance Structure.....	23
2. Boards' Oversight Responsibilities	23
3. Board Audit/Compliance Committee	23
4. Key Management Personnel	24
5. Management Committees.....	24
6. Internal Audit.....	25
7. Compliance Function.....	25

PART I - PRELIMINARY

Title

1. This Directive may be cited as the Corporate Governance Directive for Rural and Community Banks, 2020.

Application

2. This Directive is issued under the powers conferred on the Bank of Ghana by Section 56 of the Banks & Specialized Deposit Taking Institutions Act, 2016 (Act 930) and shall apply to Rural & Community Banks (RCBs).

Interpretation

3. In this Directive, unless the context otherwise requires,
 - a “**Board**” means the board of Directors of the Rural & Community Banks (RCBs).
 - b “**Corporate Governance**” means the manner in which the business and affairs of an RCB is governed by its Board and Key Management. This includes how its: strategy and objectives are set; risk appetite/tolerance are determined; day-to-day business is operated; interests of depositors are protected and shareholders obligations are met. It also includes aligning corporate activities and behaviour with the expectation of operating in a safe and sound manner, with integrity and compliance with applicable laws and regulations.
 - c “**Duty of Care**” includes the duty of a director to act in utmost good faith towards a RCB and to act at all times in the best interest of the RCB so as to preserve its assets, further its business and promote the purposes for which it was formed.
 - d “**Duty of Loyalty**” includes a director’s duty not to act in his own interest, or the interests of another person(s), so as not to conflict with the interest of the RCB or the Director’s fiduciary duty to the RCB.
 - e “**Key Management Personnel**” means the General Manager/Supervising Manager and all the Departmental Heads, the Managers of significant business units and any other Key Management, as may be determined by the regulated financial institution.
 - f “**Regulated Financial Institution**” this refers to licensed rural and community banks.

- g **“Related Persons”** includes a spouse, son, daughter, step son, step daughter, brother, sister, father and mother, cousin, nephew, niece, aunt, uncle, step sister and step brother of a shareholder, director or Key Management Personnel.
- h **“Related Party”** in relation to business transactions means a company or entity in which:
 - i. The regulated financial institution or any of its Directors or Key Management Personnel have equity interest of at least five percent (5%); and
 - ii. Director or a Key Management Personnel has influence in the regulated financial institution.
- i **“Significant Shareholder”** means a shareholder with direct or indirect holdings which represent five percent (5%) or more of the capital or of the voting rights.

Objectives

- 4. The objectives of this directive are:
 - a To require regulated financial institutions to adopt sound corporate governance principles and best practices to enable them undertake their licensed business in a sustainable manner.
 - b To promote the interest of depositors and other stakeholders by enhancing corporate performance and accountability of regulated financial institutions.
 - c To promote and maintain public trust and confidence in regulated financial institutions by prescribing sound corporate governance standards which are critical to the proper functioning of the regulated financial institutions.
 - d To maximize shareholders value and interests.

PART II— RELEVANT LEGAL REQUIREMENTS

Disqualification of Directors, Employees and Key Management Personnel

5. Section 58 of Act 930 and section 22 of the Non-Bank Financial Institutions Act 2008 (Act 774) prohibits a person from being appointed or elected or from accepting an appointment or election as a Director or Key Management of regulated financial institutions if that person;
- a has been adjudged to be of unsound mind or is detained as a person with a mental disorder under any relevant enactment;
 - b has been declared insolvent, has entered into any agreement with another person for payment of that person's debt and has suspended payment of the debt;
 - c has been convicted of an offence involving fraud, dishonesty or moral turpitude;
 - d has been a Director, Key Management personnel associated with the management of an institution which is being or has been wound up by a court of competent jurisdiction on account of bankruptcy or an offence committed under an enactment;
 - e is a Director or Key Management Personnel of another bank, specialised deposit taking institution or financial holding company in the country;
 - f is under the age of eighteen years (18 years);
 - g does not have the prior written approval of the Bank of Ghana ; or
 - h has defaulted in the repayment of the financial exposure of that person.

Disclosure of Interest by Directors

6. A person, before assuming office as a Director or Key Management Personnel of a regulated financial institution, shall declare to the Board of that regulated financial institution and the Bank of Ghana;
- a the professional interests of that person or the office that person holds as manager, director, trustee or by any other designation; and
 - b the investment or business interests of that person in a firm, company or institution as a significant shareholder, director, partner, proprietor or guarantor, with a view to prevent a conflict of interest with the duties or interests of that

person as a director, or Key Management personnel of the regulated financial institution.

- c A Director or a Key Management personnel of a regulated financial institution shall declare to the Board of the regulated financial institution and the Bank of Ghana any material change in business interest or holding of an office when a change in (a) and (b) above occurs.

7. Section 59 (3) of Act 930 requires a director of a regulated financial institution who has an interest in

- a A proposed credit facility to be given to a person by the regulated financial institution or

- b A transaction that is proposed to be entered into with any other person to declare:

The nature and the extent of that interest to the Board of Directors whether directly or indirectly and shall not take part in the deliberations and the decision of the Board with respect to that request.

Intervention of the Bank of Ghana in Appointments

8. Section 60 of Act 930 prescribes, among others, the following:

- a A proposed Director elected at the Annual General Meeting (AGM) or appointed at a Board Meeting of the regulated financial institution shall not take up the office of Director on the Board unless that proposed Director has been given a prior written approval/clearance by the Bank of Ghana after the Bank has made a determination of “fit and proper” of the proposed Director;

- b A regulated financial institution shall notify the Bank of Ghana of the changes in Directors and Key Management Personnel of the regulated financial institutions as soon as the changes occur and obtain prior written approval of the Bank of Ghana to assume duty;

PART III— SOUND CORPORATE GOVERNANCE STANDARDS

Shareholding and Ownership

Restrictions on shareholding of Rural and Community Banks

9. Shareholding in Rural and Community Banks shall be restricted to only Ghanaians. The following shareholding limits shall apply:
- a. Shareholding by an individual shall not exceed 30% of total shares;
 - b. Family or related party ownership shall not exceed 40% of total shares;
 - c. Community participation in ownership shall not be less than 20% of total shares; and
 - d. Corporate bodies are restricted to a maximum of 50% of total shares.

Board Charter

10. The Board shall operate under a Board Charter which outlines the appropriate governance practices for its own work and have in place the means to ensure such practices are followed and periodically reviewed for improvement. It also defines the authority of the Board and sets out the following minimum standards:
- a. Overall Board Responsibility
 - b. Code of Ethics for Directors
 - c. The structure of the Board clearly articulating the composition of the Board indicating the ideal Board for the organization.
 - d. Competence/qualifications to indicate required skills set, diversity, knowledge and experience.
 - e. Nature, size and reporting lines of sub-committees.
 - f. Frequency of meetings of the Board and sub-committees, attendance to meetings and quorum required for decision making.
 - g. Processes for the Appointment /Resignation and Removal of Directors.
 - h. Procedures for Re-election of Directors.
 - i. Tenure of Directors and clear Succession Plans.

- j. Remuneration of the Board.
- k. The Charter shall require Directors to uphold a clear commitment to corporate governance principles and aim at putting in place appropriate accountability and control systems.
- l. Should provide for timelines for declaration of intention to assume the position of Director.
- m. Any other matter that the Board of Directors may consider appropriate or relevant.
- n. The Charter shall be reviewed at least every three (3) years.

Duties of the Board

11. The Directors in relation to the regulated financial institution in which they serve, stand in fiduciary relationship and are required to perform the following duties
- a. To act honestly and in good faith.
 - b. To act in the best interests and for the benefit of the regulated financial institution.
 - c. A duty to act independently, free from undue influence of any person(s).
 - d. A duty to access necessary information to enable the director to control and discharge his/her responsibilities.
 - e. A duty of the Board and each director individually to immediately report in writing to the Bank of Ghana if they have reason to believe that the regulated financial institution may not be able to conduct properly the business as a going concern or the institution appears to be or in the near future to be unable to meet any or all of its obligations under the respective Acts and/or that the regulated financial institution has to or has or is about to suspend any payment of any kind.

Board's Roles and Responsibilities

12. The Board shall ensure the success of the regulated financial institution and setting the vision and strategic direction of the regulated financial institution, establishing the risk appetite for the regulated financial institution and continuously monitoring and improving its performance so as to protect depositor's interest and enhance shareholders' value.

- a. The Board shall ensure that a well-structured and rigorous selection system is put in place for the appointment of Key Management Personnel of the regulated financial institution. The Board shall ensure that its obligations to all stakeholders, including depositors, creditors, employees, authorities and the communities are upheld.
- b. The Board shall approve and monitor the overall business strategy of the regulated financial institution.
- c. The Board shall consider and approve the regulated financial institution's annual budget prior to the ensuing year for implementation and ensure the monitoring and control of the budget.
- d. The Board shall approve the formulation and oversee the implementation of the following:
 - i. Internal Controls System; and
 - ii. Corporate Governance Framework, Principles and Corporate Values, including a code of business conduct or comparable document which must set out the regulated financial institution's requirement and processes to report and deal with non-compliance.
- e. Meet regularly with Key Management Personnel.
- f. Question and review critically explanations and information provided by Key Management Personnel.
- g. Set formal performance standards for Key Management consistent with the long-term objectives, strategy and financial soundness of the bank, and monitor Key Management's performance against these standards.
- h. Monitor and ensure the actions of Key Management Personnel are consistent with the strategy and policies approved by the Board.

Compliance Declaration

13. The Board shall give a declaration in the Annual Report and Audited Financial Statements as to the compliance or otherwise of the regulated financial institution to the contents of this Directive.

Duty of Care and Loyalty

14. The members of the Board shall exercise a “duty of care” and a “duty of loyalty” to the regulated financial institution at all times.

Corporate Culture and Values

15. The Board shall establish the Corporate Culture and Values of the regulated financial institution that promote and reinforces norms for responsible and ethical behavior.

Succession Plan

16. The Board shall select, subject to approval by the Bank of Ghana where applicable, and identify existing, high-potential qualified human resources who might be destined for Key Management positions and assess the skills they require to lead, and providing opportunities for that training.

Separation of Powers

17. a. There shall be clear lines of accountability at the top hierarchy of the regulated financial institution. The positions of the Board Chairperson and the General Manager/Supervising Manager shall be distinct and separate from each other.
- b. The General Manager/Supervising Manager shall not be part of the Board of Directors but shall attend all Board meetings to present Management reports, take part in all discussions and shall have no voting rights.
- c. No two (2) related persons shall occupy the positions of Board Chairman and General Manager/Supervising Manager of a regulated financial institution.
- d. Directors are prohibited from performing management functions and interfering managerial duties.

Restrictions to Directors

18. A Director shall not;
- a. Be employed in an executive position in the regulated financial institution at least two (2) years prior to appointment to the Board;
 - b. Have related persons employed by the regulated financial institution as Key Management Personnel in the last two (2) years prior to the appointment to the regulated financial institution; and
 - c. Have engaged in any transaction within the last two (2) years with the regulated financial institution on terms that are less favorable to the regulated financial institution than those normally offered to other persons.

Board Qualifications and Composition

19. Directors shall possess, individually and collectively, appropriate experiences, competencies and personal qualities, including professionalism and integrity. The competencies of Boards shall be diverse and shall cover a blend of the following fields: Banking, Audit, Law, Finance, Accounting, Economics, Information Communication Technology, Entrepreneurship, Risk Management, Strategic Planning, Corporate Governance and other areas that the Bank of Ghana deems fit.
20. No regulated financial institution shall have more than two (2) Directors serving on its Board that are Related Persons.

Board Size

21. The Board shall comprise at least five (5) and a maximum of seven (7) Directors who are ordinarily resident in Ghana.

Directors' Appointments

22. The procedure for appointment of Directors to the Board shall be formal and transparent after prior elections at the Annual General Meeting or Board Meetings, and shall conform to the Directive issued by the Bank of Ghana on "Fit and Proper" persons. A person shall not assume the position of Director of a regulated financial institution without obtaining the prior written approval from the Bank of Ghana.

Board Chairperson

23. a. The Chairperson of the Board shall not have a controlling interest in the regulated financial institution and shall be ordinarily resident in Ghana. The Chairperson

shall provide leadership to the Board and ensure that Board decisions are based on sound information systems. The Chairperson shall encourage and promote critical discussion and ensure that dissenting views can be expressed and discussed as part of the decision-making process.

- b. The Chairperson shall encourage constructive relationship within the Board and between the Board and Management.

Board Secretary

24. The Board Secretary shall serve as an interface between the Board and Key Management Personnel and shall support the Chairperson in ensuring the smooth functioning of the Board. The Board Secretary shall advise the Board on matters relating to statutory duties of the Directors under the law, disclosure obligations, and company law regulations as well as on matters of Corporate Governance requirements and effective Board processes.

The Board Secretary shall ensure that Directors are provided with complete, adequate and timely information prior to Board meetings.

The Secretary shall be appointed by the Directors for such term as is deemed fit and may be removed by the Board, but without prejudice to any claim for damages for breach of any Contract with the regulated financial institution.

The qualification of the Secretary shall be as provided for in the Companies Act.

Board Meetings

25. The conduct of meetings shall be in accordance with the provisions of the Companies Act and satisfy all the requirements including:-

- a. The recording of minutes of the meeting.
- b. The determination of quorum for meetings and the quorum required for the taking of decisions affecting the regulated financial institution.

26. A regulated financial institution shall hold at least four (4) Board meetings annually. For convenience, Board meetings can also be arranged and conducted via video/teleconference.

27. A Director is deemed to have attended a Board meeting if that Director participates in the meeting via video/teleconference for the entire duration of the meeting.

28. A Director has a duty to attend Board meetings regularly and to participate in the conduct of the business of the Board.

29. A Director shall attend at least seventy-five percent (75%) of the Board meetings of the regulated financial institution in any financial year. In the event that a Director does not attend the meetings regularly in a financial year, the Board shall recommend the removal of such Director from the Board based on non-performance and subject to shareholders' approval.

Board Discussions

30. The Board shall discuss reports of the regulated financial institution as submitted by the Key Management Personnel. The reports shall include inter alia:

- a. A summary of Financial Statements and performance review against the approved Budget, Business Plan, Peers and Industry;
- b. The extent to which the institution is exposed to various risks such as Credit, Liquidity, Operational and other risks;
- c. Compliance to Minimum Capital Requirements;
- d. Review of Non-Performing Loans, Related Party Transactions and Credit concentrations;
- e. A review of Capital Adequacy Ratio, provisions for delinquent loans, credit recovery reports;
- f. Effectiveness of internal control systems and human resource issues;
- g. Outstanding litigations and contingent liabilities;
- h. Compliance with Anti-Money Laundering/ Counter Financing of Terrorism (AML/CFT) policies, laws and regulations; and
- i. Related Party Exposures and their Classification.

Board Sub-Committees

31. The Board shall establish certain specialized Board sub-committees, the number and nature of which depends on the size and complexity of the regulated financial institution, its Board and risk profile.

32. At a minimum, a regulated financial institution shall have two (2) Board sub-committees, namely: Audit, Risk and Compliance Sub-committee and Credit Sub-committee.
33. The Board Chairperson shall not be a member of the Audit, Risk and Compliance Sub-committee and Credit Sub-committee nor any other sub-committee formed for the proper oversight of the institution.
34. Other Board Sub-committees may be established per size, complexity, business lines and risk profile of the regulated financial institution.
35. The Board shall issue, in writing, the Terms of Reference (TOR) for each Sub-committee, which sets out the committee's mandate, scope, procedures, frequency of meetings and reporting lines.
36. To avoid undue concentration of power and to promote fresh perspectives, membership and chairmanship of such committees shall be occasionally rotated.

Audit, Risk and Compliance Sub-Committee

37. The Audit, Risk and Compliance Sub-Committee of the Board shall consist solely of Directors who shall be versed in Accounting, Auditing, Finance and Banking, and the Committee shall have oversight of the regulated financial institution's internal and external audit functions and others, as may be prescribed by the Board. The Chairperson of this Committee shall not be the Chairperson of the Board.

Credit Sub-Committee

38. The Credit Sub-Committee shall be responsible for advising the Board on the Assets Quality of the regulated financial institution and also exposure concentration, credit/deposit ratio and non-performing loans ratio. The Committee shall be chaired by an experienced Director who is erudite in Accounting, Banking, Economics and Risk Management.

Appointment of Key Management Personnel

39. Every regulated financial institution shall submit to the Bank of Ghana, before it appoints a member of the Key Management Personnel, a comprehensive report on the due diligence conducted on proposed nominees as Key Management Personnel. This submission shall be made in conjunction with the requirements under Section 60 of Act 930.

Key Management Personnel Responsibilities

40. Under the direction of the Board,

- a. Key Management Personnel shall ensure the regulated financial institution's activities are consistent with the business strategy, risk tolerance/appetite and policies approved by the Board in order to contribute substantially to the regulated financial institution's sound corporate governance.
- b. Key Management Personnel shall assign tasks or delegate duties to staff and provide adequate oversight of those they manage and provide training and development opportunities to sustain the delivery of short and long-term objectives and protect the reputation of the regulated financial institution.
- c. Key Management Personnel shall establish a management structure that promotes accountability, transparency; fairness and responsibility;
- d. Key management Personnel shall implement appropriate systems for managing risks designed and implemented to ensure adherence to the regulated financial institution's strategy and risk tolerance/appetite.
- e. Key Management Personnel is ultimate responsibility to the Board for the performance of the bank.
- f. Key Management Personnel shall hold periodic meeting and minutes of such meeting recorded.

Internal Auditor

41. Every regulated financial institution shall have an Internal Auditor (IA) who shall be a Key Management Person who is independent and is not operationally involved in the bank's day-to-day-activities and business line responsibilities. The IA shall be competent to examine all areas in which the regulated financial institution operates and shall:

- a. Have the professional competence to collect and analyze financial information, as well as evaluate audit evidence, and to communicate to the stakeholders of the internal audit function; and
- b. Possess sufficient knowledge of auditing techniques and methodologies.
- c. The Internal Auditor shall report directly to the Board or Board Audit, Risk and Compliance sub-committee on audit/compliance and the IA shall have direct

access to the Board and its Committees. Interaction between the Board and the Internal Auditor must be regular and comprehensively documented.

Appointment of External Auditors

42. Every regulated financial institution shall appoint qualified auditors to be their external auditors with notification to and approval by the Bank of Ghana.
43. The Bank of Ghana may where it deems appropriate appoint a qualified auditor to be the external auditor of an institution for such period if the institution fails to appoint one or if it considers it desirable that another external auditor should act with or in place of an existing auditor, and on terms as may be determined.
44. A person or firm may not be approved by the Bank to serve as an external auditor of a regulated financial institution unless he/she/it complies with such conditions in relation to the discharge of his/her/its duties as the Bank may determine and is qualified to be an external auditor of any financial institution and meets the requirements of section 26 (1) and (2) of Act 774 and section 81 of Act 930. In addition the person or firm shall not:
- a. Have material interest in that regulated financial institutions other than as a depositor;
 - b. Be a firm in which a Director of the regulated financial institutions has interest as partner or Director;
 - c. Be a firm in which a Director of the regulated financial institutions is the spouse of a partner or Director;
 - d. Be indebted to the regulated financial institutions; and
 - e. Perform bookkeeping/accounting or secretarial services for the regulated financial institutions.
45. Where the Bank of Ghana appoints external auditors for a regulated financial institution, the Bank may also fix the remuneration of such external auditors which shall be paid by the regulated financial institution.
46. No regulated financial institution shall before the expiry of a running term remove or change its auditor except with the approval of the Bank of Ghana.

47. An auditor of a regulated financial institution who resigns or is being asked by the institution to resign shall notify the Institution and the Bank about the circumstances and reasons behind the call for its resignation.

Internal and External Audit Functions

48. The Board and Key Management Personnel shall effectively utilize the work conducted by the internal auditor and external auditors. The Board shall recognize and acknowledge that independent, competent and qualified internal and external auditors, as well as other internal control functions, are vital to the corporate governance process and shall engage the auditors to evaluate the effectiveness of existing controls and the compliance function.

The internal audit function should provide independent assurance to the Board and shall support Board and Key Management Personnel in promoting an effective governance process and the long-term soundness of the bank.

The internal audit function shall have a clear mandate, be accountable to the Board and be independent of the audited activities. It should be publicly disclosed if the Internal Auditor is removed from his or her position and the reasons shall be disclosed to the Bank of Ghana.

Board Compensation

49. Directors shall be entitled to sitting allowances and Travelling & Transport (T&T) allowances subject to approval by shareholders at Annual General Meetings (AGMs). Any other payments to Directors shall require the prior written approval of the Bank of Ghana.

Disclosure and Transparency

50. A regulated financial institution shall submit a list of its significant Shareholders, Directors and Key Management Personnel as at 31st of December of every year to the Bank of Ghana by the 21st of January the ensuing year. The governance of the regulated financial institution shall also be sufficiently transparent to its shareholders, depositors, other relevant stakeholders and shall be disclosed in its Annual Report and Audited Financial Statements.

The disclosure shall include material information on the governance structures and policies, (in particular the content of any corporate governance code or policy and the process by which it is implemented), major share ownership and voting rights and related party transactions of the regulated financial institution.

51. To promote increased share acquisition for increased capital formation for regulated financial institutions, voting at the AGMs shall be conducted on a poll-voting basis whereby voting is proportional to the number of shares held by the members.

Ethics and Professionalism

52. All regulated financial institutions shall establish a Code of Ethics which shall be made available to all persons to whom it applies especially, the Board, Key Management Personnel and Staff. The Code shall be reviewed regularly when necessary and shall contain among others:

- a. Practices necessary to maintain confidence in the integrity of the regulated financial institutions
- b. Commit the regulated financial institution, its Board, Key Management Personnel and Employees to the highest standards of professional behavior, business conduct and sustainable business practices;
- c. Establish a policy to guide equity participation in the shares of the regulated financial institution by Directors, Key Management Personnel and Employees;
- d. Sign off by Directors, Key Management Personnel and Employees on an annual basis that they understand the Code of Ethics and Sanctions for breaching the policy.

Corporate Governance Certification

53. Directors shall undertake Corporate Governance Certification on a biennial basis which may be obtained from the National Banking College or any accredited Corporate Governance Institute in Ghana. The purpose is to assist Directors to continually maintain and update their corporate governance knowledge.

Cooling-off Period

54. Former Key Management Personnel of regulated financial institutions shall not be eligible for appointment as a Director of a regulated financial institution until after a period of two (2) years following the end of employment with a regulated financial institution.

55. A practicing auditor who is rendering services or had rendered auditing services in the banking industry shall not be appointed as a Director of the regulated financial institution until two (2) years have elapsed since the last engagement with any regulated financial institution by that person.

PART IV – REMEDIAL MEASURES AND SANCTIONS

Relevant Provisions of the Act 930

56. The following remedial measures and sanctions under Acts 774 and 930 shall apply in addition to any other corrective measures and specific directives that the Bank of Ghana may require:
- a. Under sections 22 of Act 774 and 58 of Act 930, where a person currently in office, is disqualified to be elected or appointed as a Director or Key Management Personnel of the regulated financial institution, that person shall immediately cease to hold office and the regulated financial institution shall immediately terminate the appointment of that person, otherwise the regulated financial institution and or that person shall be subject to a fine or imprisonment as provided for in Act 930;
 - b. Under section 59 of Act 930, a person who contravenes the required disclosure of interest shall cease to be a director of the regulated financial institution and any approval granted to that person by the Board of Directors in respect of a matter in which that person is interested in, is unenforceable;
 - c. Any non-compliance by regulated financial institution with the requirements under section 60 of Act 930 shall render that regulated financial institution liable to a payment of a fine of One Thousand (1,000) penalty units to the Bank of Ghana. Any regulated financial institution which fails to comply with the Bank of Ghana directives is liable to pay to the Bank of Ghana under section 92(8) of Act 930, an administrative fine of not less than two thousand (2,000) penalty units and not more than ten thousand (10,000) penalty units and
 - d. Under sections 36(1)(b) of Act 774 and 102(3) of Act 930, the Bank of Ghana may, amongst others, suspend or remove from office the General Manager/Supervising Manager and other Key Management Personnel of that regulated financial institution or restrict the powers of the General Manager/Supervising Manager, or recommend the removal of any or all of the Directors on the Board of the regulated financial institution or restrict their powers if it is satisfied that the regulated financial institution has, failed to comply with a provision of the Act or rules or directives issued under Act 774 or Act 930, or if a regulated financial institution has been conducting its affairs in a manner detrimental to the interests of its depositors and creditors, or if any regulated financial institution no longer possesses sufficient net own funds or is unlikely to fulfill its obligations towards its depositors and creditors.

PART V - TRANSITIONAL PROVISIONS

For the purpose of compliance with this Directive, the following transitional provisions are to be followed:

57. A regulated financial institution in existence before the coming into force of this Directive that does not meet the required standard, shall have a grace period up till June 30, 2021 to ensure full compliance with the provisions of the Directive in relation to the following:
- a. Business strategy;
 - b. Board qualification and composition;
 - c. Board size and structure;
 - d. Board Secretary;
 - e. Separation of powers;
 - f. Other engagement of directors; and
 - g. Board sub-committees.

Tenure of Board Chairperson

58. The term of office of a Board Chairperson of a regulated financial institution shall;
- a. Not be more than three (3) years and may be renewed for one (1) additional term only.
 - b. Despite paragraph 60(a) a Board Chairperson of a regulated financial institution who has been in office for more than six (6) years prior to the coming into force of this Directive shall not be eligible for another term upon the expiration of the current term of his/her appointment in that institution.
 - c. Where the existing appointment of the Board Chairperson of a regulated financial institution as of the date of coming into force of this Directive does not stipulate a fixed term and the Board Chairperson has served for a period of more than six (6) years in that regulated financial institution, the regulated financial institution shall by June 30, 2021 submit to the Bank of Ghana for consideration, a succession plan for the appointment of a new Board Chairperson. The appointment of the new Board Chairperson must be made by December 31, 2021.

- d. Where the existing Board Chairperson does not have a fixed term contract as of the time of coming into force of this Directive and the Board Chairperson has served a term less than six (6) years cumulatively in that regulated financial institution, the regulated financial institution shall by June 30, 2020 furnish the Bank of Ghana with a written contract stipulating a fixed term of office for the Board Chairperson.

Tenure of Directors

59. The tenure of office of a Director of a regulated financial institution shall;
 - a. Not be more than three (3) years and may be renewed for not more than two (2) additional terms in that regulated financial institution.
 - b. Despite sub paragraphs 61(a) a Director of a regulated financial institution who prior to the coming into force of this Directive had served in that capacity for nine (9) years or more shall not be eligible for another term upon the expiration of the current term in that regulated financial institution.

Tenure of General Manager/Supervising Manager

60. The term of office of a General Manager/Supervising Manager (GM/SM) of a regulated financial institution shall;
 - a. Not be more than four (4) years and may be renewed for additional two (2) terms only in that regulated financial institution.
 - b. Despite sub paragraph 60(a), the term of office for a (GM/SM) of a regulated financial institution indicated in the contract of employment executed with the regulated financial institution before the coming into force of this Directive may run in full and shall not be renewed where that GM/SM has cumulatively served for more than twelve (12) years in that regulated financial institution.
 - c. A renewal or extension of a contract of employment under sub paragraph 60(b) shall be subject to the renewal guidelines under sub paragraph 60(a) and shall not be for any additional term that brings the cumulative years of service of the GM/SM in that regulated financial institution and in that capacity, to more than twelve (12) years.
 - d. Where the existing contract of the GM/SM of a regulated financial institution as of the date of coming into force of this Directive does not stipulate a fixed term of office for the GM/SM, and the GM/SM has served for twelve years, or more in that regulated financial institution, the regulated financial institution shall by

December 31, 2021, submit to the Bank of Ghana for consideration, a succession plan for the appointment of a new GM/SM. The appointment of the new GM/SM must be made by December 31, 2021.

- e. Where the existing GM/SM does not have a fixed term contract as of the time of coming into force of this Directive and the GM/SM has served a term less than twelve (12) years cumulatively in that regulated financial institution, the regulated financial institution shall by June 30, 2021 furnish the Bank of Ghana with a written contract stipulating a fixed term of office for the GM/SM.

Tenure of External Auditor

- 61. The term of office of the External Auditor shall not be more than six (6) years and shall be eligible for re-appointment after a cooling-off period of not less than five (5) years.

Where the External Auditor has been appointed for less than six (6) years, he shall serve the remaining years.

Where the External Auditor has served for more than six (6) years as of the time of coming into force of this Directive, he shall not be eligible for re-appointment after the expiration of the current term.

Effective Implementation Date

- 62. The effective date for the implementation of all sections of the Corporate Governance Directive is December 31, 2021. Existing regulated financial institutions before the coming into force of this Directive shall upon the coming into force of the Directive have a grace period of six months or any other period as the Bank of Ghana may determine to ensure full compliance with the provisions of the Directive

APPENDIX

1. Governance Structure

Governance structure of an institution shall comprise the following:

- a. Board
- b. Key Management Personnel;
- c. Board Audit, Risk and Compliance Committee

2. Boards' Oversight Responsibilities

The Board shall regularly evaluate its approved policies and procedures with special emphasis on those that define the risk tolerance limits of the institution, including AML/CFT for significant activities.

The Board shall ensure that it approve all new activity of the institution (e.g. new products that significantly different from existing ones, creation of new types of exposure, new markets, etc.)

- a. The Board shall meet at least quarterly and the meeting shall be attended by the GM/SM, Internal Auditor and Head of Credit.
- b. The Heads of Departments, Heads of Branches, Agencies or their representatives may also be invited to attend all or part of any meeting as and when appropriate.

3. Board Audit/Compliance Committee

- a. The objective of the Board Audit/Compliance Committee shall be to provide an independent review of the activities of the regulated financial institution.
- b. The Board Audit Sub-Committee on an annual basis or more frequently as deemed fit shall assess the appropriateness of the strategic plan of the regulated financial institution.
- c. The Board Audit Sub-Committee is responsible for overseeing the financial reporting process including the establishment of Accounting Policies and Practices by the regulated financial institution, providing oversight of the internal and external audit functions, the appointment, compensation and removal of Auditors, reviewing and approving the audit scope and frequency, receiving key Audit Reports and ensuring that Key Management Personnel is taking necessary corrective actions in a timely manner to address control weaknesses, non-compliance with policies, laws and regulations and other problems identified by

Auditors, as well as any other relevant matter referred to the committee by the Board.

4. Key Management Personnel

- a. Key Management Personnel shall have the responsibility of transforming the strategic direction set by the Board into policies and procedures and to institute an effective structure to execute those policies. Key Management Personnel is also responsible for the day-day management of the institution.
- b. Key Management Personnel shall ensure that policies are communicated down the line and that these policies are embedded in the culture of the institution. Key Management Personnel shall have appropriate committees which shall review among others, reports on liquidity risks, credit risk, operational risk and legal/regulatory risk.
- c. Key Management Personnel shall be responsible for ensuring that there are adequate policies and procedures for carrying out the significant activities of the institution on both long-term and day-to-day basis. This responsibility includes ensuring that there are:
 - i. Clear lines of responsibility for Key Management Persons; and
 - ii. Effective Internal Controls.
- d. Key Management Personnel shall also ensure that the significant activities of the institution are allocated sufficient resources and staff to manage and control inherent risk.

5. Management Committees

Key Management Personnel shall have the following committees for the management of the institution:

- a. Management Committee (MANCOM): MANCOM shall support the GM/SM to guide and steer the direction of the institution and to facilitate the flow of information between the Boards and its Key Management Personnel. MANCOM shall be responsible for the following:
 - i. Liquidity Management;
 - ii. Head Office and Branch operations reviews and Branch expansion;
 - iii. Prudential Reports submission to the Bank of Ghana
 - iv. Review of Management Accounts

- v. Implementation of Audit recommendations
- b. Credit Committee - The Credit Committee shall have clearly defined mandate, membership and delegated authority which shall be reviewed at least annually. The responsibilities of the credit committee shall include:
 - i. Exercising credit governance oversight;
 - ii. Establishing credit counterparty and portfolio risk limits;
 - iii. Setting concentration limits relating to industry, product, customer segment, and maturity;
 - iv. Overseeing credit risk mitigation; and
 - v. Reviewing and taking action on watch-list and non-performing accounts.

6. Internal Audit

- a. A regulated financial institution shall have an internal audit function which shall be headed by a person of status of a member of the Key Management of the institution appointed and assessed by the Board Audit, Risk and Compliance Committee, and who reports directly to such a committee.
- b. The Internal Audit function shall operate under an Audit Charter approved by the Board and in compliance with International Standards for the Professional Practice of Internal Audit.
- c. Internal Audit shall examine and review:
 - i. The extent to which existing policies are adequate and effective;
 - ii. The extent to which Board decisions and instructions regarding the management of the institution are implemented; and
 - iii. The adequacy and reliability of management information, financial and operational reports to the Board and Key Management.

7. Compliance Function

- a. A regulated financial institution shall appoint a Compliance Officer who is competent, experienced, and knowledgeable enough to discharge his/her duties and responsibilities;

- b. Where the size of the institution does not support a separate structure to carry out this compliance function, the Internal Auditor shall be responsible for the performance of this function;
- c. The Compliance Officer must be of the status of a member of the Key Management of the institution or directly subordinate to such a member, appointed by the GM/SM, subject to the approval of the Board;
- d. The Compliance Officer shall be responsible for monitoring and reporting on the adherence or otherwise to various obligations incumbent upon the institution in its business relations with customers;
- e. The Compliance Officer shall assist management and the Board in meeting the responsibilities of the institution with regard to:
 - i. the requirements of the law and other regulatory and ethical demands in respect of customer relations and anti-money laundering;
 - ii. reducing the likelihood of violations of the laws and regulations;
 - iii. reducing the exposure of the institution and its management to claims, including those pertaining to the obligation to exercise caution; and
 - iv. preventing any breach of confidence by office-holders to prevent financial losses to the institution
- f. The Compliance Officer shall ensure that the requirements of the law and other regulatory and ethical demands in respect of customer relations and anti-money laundering are met;
- g. Shall ensure a reduction of the exposure of the institution and its management to claims, including those pertaining to the obligation to exercise caution; and
- h. Shall ensure the prevention of any breach of confidence by office holders to prevent financial losses to the institution.