



**REPUBLIC OF GHANA**

**REQUIREMENTS AND RESPONSIBILITIES OF**

**PRIMARY DEALERS**

**AND**

**BOND MARKET SPECIALISTS**

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## I. PRIMARY DEALERS

### A. Introduction

1. Primary Dealers (PDs) are those institutions authorised by the Bank of Ghana (BoG) and have the exclusive right to participate in the wholesale auctions of Treasury Bills.
2. PDs are expected to take up, market and distribute Treasury Bills.

### B. Eligibility

3. Institutions applying to become a PD must be incorporated under the relevant laws of Ghana, be licensed by the relevant statutory body and/or regulator, and be a Ghana Fixed Income Market (GFIM) Dealing Member, such that:
  - i. Banks and Non-bank Financial Institutions should be licensed by the BoG and should have a subsidiary/ department dedicated to Government Securities business.
  - ii. Other institutions should be licensed by the Securities and Exchange Commission (SEC), Ghana.
4. All Institutions applying to become a PD should :
  - i. demonstrate their good standing with SEC by submitting a letter of affirmation from the SEC; and
  - ii. be engaged in the securities business and demonstrate active participation and expertise in the Government securities.
5. All applicants should be in good standing with their respective Regulator at the time of their application.
6. PDs shall abide by all primary issuance auction rules and requirements established from time to time by the MoF and/or BoG.
7. The BoG shall be responsible for monitoring the activities of all PDs in the primary market for Government Securities.

8. GFIM shall be responsible for monitoring the activities of all PDs in the secondary market for Government Securities.
9. Applicants shall establish departments that are dedicated to the conduct of operations in government securities. These departments will have a minimum dedicated working capital of Gh¢5 million for their operations in the government securities business. The capital requirement may be reviewed and modified by the Bank of Ghana.
10. Applicants must demonstrate appropriate managerial and securities trading capability.
11. Applicants must have adequate systems, equipment (including communications equipment), and procedures (including the segregation of front and back offices) in order to manage their business safely and to fulfill their obligations and duties as PDs.

### **C. Authorization**

12. An eligible institution will be required to submit an application for authorization as a PD to the BoG.
13. The PDs Committee will visit the institution's premises to inspect its facilities and arrangements for its potential business as a PD.
14. Where an applicant is considered eligible, fit and proper, an approval in principle will be granted. The applicant will be required thereafter to:
  - i. submit an Undertaking Form to the BoG (as per Annex 1);
  - ii. establish a reporting relationship with the BoG;
  - iii. establish connections to:
    - the CSD Auction Terminal for bid submission and trading;
    - equipment for maintaining communications with other PDs, customers, the BoG and the Ministry of Finance (MoF);
    - information technology capable of disseminating market information (such as Bloomberg, Reuters or any proprietary system that may be developed with the approval of BoG);

- a voice recording system;
- the GFIM trading platform

any other system requested and approved by BoG; and

- iv. establish a clearing and settlement account with the BoG However, Non-Bank Financial institutions can only settle through a settlement partner.

15. Upon compliance with these requirements a letter of authorization will be issued to the applicant by the BoG to operate as a PD.

16. Failure to comply with primary market obligations, as described below, can lead to the suspension or revocation of PD status.

#### **D. Primary Dealer Obligations**

17. PDs shall abide by all primary issuance and auction rules and requirements established from time to time by the BoG and/or MoF.

18. PDs are expected to participate at every auction of Treasury bills.

19. At every auction of Treasury Bills, each PD shall purchase a minimum of its proportional market share of the total auction target.

20. At the request of the MoF or BoG, a PD will be expected to provide comment or make recommendations on policies, market conditions or other matters that relate to the Government securities market.

#### **E. Primary Dealer Privileges**

21. PDs shall have the exclusive right to participate in the sale, by auction or otherwise, of Treasury Bills.

22. The MoF and BoG may announce from time to time through notices specific privileges of PDs.

#### **F. Reporting Requirements**

23. PDs shall regularly submit to MoF and BoG data on their activities in the primary and the secondary market for GoG securities.

PDs shall submit two reports: (i) weekly positions statements based on total holdings (as of trade date) of GoG securities; and (ii) weekly trading activities, based on total amount traded of GoG securities.

24. The BoG and MoF may request PDs to produce other reports from time to time.

### **G. Organization**

25. PDs will provide the MoF and BoG with an institutional organization chart and of its PD department, the latter showing the names of individuals with management responsibilities for trading activities every six months. This should include the following:

- i. all individuals with oversight responsibilities for trading activities related to Government securities;
- ii. all individuals with authority to buy or sell Government securities, including the Manager of the department. Any changes in personnel who have trading authority must be reported to the BoG within seven (7) working days of assumption of duty; and
- iii. all individuals with authority to market Government securities to customers;
- iv. the Manager for clearing and settlement operations.

26. A PD shall not engage any individual who has been sanctioned in activities relating to the GOG Securities Market to perform functions relating to same.

## **II. BOND MARKET SPECIALISTS**

### **A. Eligibility**

27. Bond Market Specialists (BMS) is a PD that have the exclusive right to participate in primary issuance, by auction or otherwise, of all GoG Treasury bills, notes and bonds.

28. BMS shall be subject to all obligations, privileges and requirements of PDs as well as their specific requirements set out below:

- i. BMS shall have underwriting, distribution and marketing capabilities both locally and internationally; and
- ii. Evidence of secondary market activities by the BMS in support of the fixed income market and statistics of BMS trading volumes over a period of time.

#### **B. Bond Market Specialist Primary Market Obligations**

29. BMS shall abide by all primary issuance auction rules and requirements established from time to time by the MoF and/or BoG .
30. At all auctions of GoG treasury bills, notes and bonds, BMS shall purchase at minimum, its proportional market share of the total auction target. .
31. BMS must participate in every auction or sale of securities of GoG treasury bills, notes and bonds.
32. For the sale of securities through book-building auction, the MoF will from time to time offer selected BMS firms the opportunity to become Joint Book Runners for any transaction. Any BMS firm appointed to such a role will be expected to fulfil its advisory role in such a transaction, support the process of formulation of initial price guidance (IPG) and undertake all activities required in such a transaction as agreed with the MoF.

#### **C. Bond Market Specialist Secondary Market Obligations**

33. BMS shall abide by all primary issuance auction rules and requirements established from time to time by the BoG and/or MoF.
34. The BoG shall be responsible for monitoring the activities of all BMS in the primary market for Government Securities.
35. GFIM shall be responsible for monitoring the activities of all BMS in the secondary market for Government Securities.
36. BMS are obliged to quote firm and executable continuous two-prices in benchmark Government Securities during normal business hours, as defined, through an appropriate electronic interface.
37. BMS are obliged to respond to requests for quote (RFQ) from investors and non-BMS PDs in all GoG securities during normal business hours, as defined.

38. For benchmark bonds, two-way quotations shall be for a standard quantity
39. All quotations will be within the maximum spreads determined and published by GFIM in consultation with the BoG and MoF.
40. BMS shall maintain a minimum level of secondary market activity. Each BMS must maintain proportional market share, as measured on a six-month rolling average. Secondary market share shall be calculated as the sum of the market value of purchase and sale transactions in GoG notes and bonds of a BMS divided by those of the market as a whole and the trading volumes.
41. Each BMS shall publish representative price quotes in benchmark securities, on a daily basis, on a public platform such as its corporate website and/or other public place, such as a newspaper. BMS are required to produce macroeconomic research coverage and to help market Ghana for their investors.

#### **D. Bond Market Specialist Privileges**

42. The MoF and BoG shall determine specific privileges of BMS. These privileges may be modified from time to time.
43. BMS shall have the exclusive right to participate in primary issuance, by auction or otherwise, of all GoG notes and bonds.
44. BMS shall be the only institutions eligible to be appointed as joint book runners in an individual bond transaction.
45. BMS shall be the preferred counterparty for any exchanges or buy-backs and derivatives of GoG notes and bonds undertaken by the MoF.
46. BMS may earn a fee for their activity in the primary and/or secondary market. The schedule for such fees, and the criteria applying to their payment, shall be published in a separate "BMS Fee Schedule" which may be updated by the MoF from time to time.
47. BMS shall have sole access to any Securities Lending Facility (SLF) as established by the SEC.

#### **E. International Capital Market Privilege**

48. Only BMS will have the privilege to apply as Transaction Advisor for all Government's international capital market transactions.



## F. Customer Relations

49. The primary contact with a customer shall be a trained sales officer. A PD is responsible for the actions of its sales officers.
50. All information concerning customer activity is confidential and should not be provided to any party outside the individual PD with the exception of fulfilling the appropriate reporting and compliance requirements to the regulatory authorities.
51. A PD shall not refuse a request to bid or offer from a qualified institutional investor or individual investor without any justifiable reason.
52. Sales officers shall make requests for customers' bids or offers to the appropriate traders. They are required to relay prices given by the traders to the customer and immediately provide the customer's response to the trader. The flow of prices and information shall be without delay. The sales officer represents the customer and must accurately reflect all requests and responses to the traders in a timely fashion.
53. A sales officer is not allowed to trade for a customer's account without proper authorization. Standing orders may be placed by the customer and be subsequently filled by the dealer but the completion of the trade must be immediately reported to the customer and details confirmed within 24 hours.
54. Customers shall have provided financial information to the PD in order for it to make necessary judgments as to the suitability of the type and the amount of business the customer is willing to engage in. Each customer will have provided the dealer in advance with a file which specifies:
- i. the person(s) authorized to enter into transactions on the customer's behalf; and
  - ii. the customer's investment objectives including the type of instruments, maturity and maximum amounts per transaction.
55. PDs shall determine whether a customer's activities are appropriate. They shall not make decisions for customers but may decide not to participate in a specific transaction on the basis of appropriateness. Salesmen are responsible for knowing

their customers, their financial strength and their investment objectives. A refusal to participate in a trade should be made with the knowledge of the dealer's management. A dealer may refuse any transaction that is above the customer's trading limit.

### **G. Risk Management Policies and Procedures**

56. A PD shall establish, and submit to BoG, its procedures and systems for monitoring trading activities and setting risk limits with regard to institutional organization and policies every six months. These should include:

- i. a credit policy that describes procedures for establishing limits on open trades with customers, including limits on repo agreements, on a customer or counterparty basis;
- ii. risk policy and procedures for (i) institutional; and (ii) individual trader position limits in GoG securities; and
- iii. a compliance policy that establishes a system of monitoring institutional and individual compliance with regulations concerning sales and trading.

### **H. Conduct Requirements**

57. All PDs shall at all times observe the highest standards of conduct and integrity. PDs will be bound by any and all conduct and regulatory requirements as set down by the BoG, MoF, SEC or other appropriate regulatory authority.

58. In addition, PDs may be subject to conduct rules as published in a "Code of Conduct for Primary Dealers" which may be updated from time to time.

### **I. Confidentiality**

59. Recognizing the role of PDs as the Government's advisors, PDs may be consulted or asked to provide feedback on proposals that are not in the public domain. Where notified, PDs must treat such information as confidential and not disclose it to any third party.

60. Dissemination of confidential information may result in sanctions and penalties as determined by the MoF and BoG.

### III. PERFORMANCE MONITORING, EVALUATION, SANCTIONS AND PENALTIES

61. The PDs Committee shall review the participation of PDs and BMS on a quarterly basis to determine if individual PDs and BMS are fulfilling their obligations.

62. At any time, PDs Committee determines that an institution is no-longer meeting its relevant eligibility criteria, or is failing, or fails, to (i) meet its obligations; and/or (ii) comply with specified reporting requirements, then the following steps shall be undertaken:

- i. senior representatives of the PD will be invited to a meeting to discuss relevant shortcomings and may be issued with a formal warning letter that it is not in compliance. The letter will state the nature of the problem and the date by which it must be rectified; and
- ii. senior management of the PD will be expected to provide the MoF with a 'recovery plan' to address the issues identified within the timeframe specified;
- iii. if the issue is not addressed by the deadline, the institution will cease to be a PD or BMS, or both, on that date and the MoF will issue a notice to that effect.

63. To discourage 'fair weather' market making, future applications to rejoin as a PD or BMS shall only be permitted after a lapse of time as determined by the PDs Committee.

64. In the event of any regulatory breaches, breaches of conduct or confidentiality requirements, sanctions and penalties will be determined by the appropriate authorities and applied in line with the requirements of the conduct regime.

**APPENDIX I - PD Letter of Authorisation**

TO: THE HEAD  
TREASURY DEPARTMENT  
BANK OF GHANA  
ACCRA.

**UNDERTAKING FOR PRIMARY DEALER AUTHORISATION**

WHEREAS the Bank of Ghana (BOG), in response to our application, has offered in principle to admit

**ABC BANK** *[name of institution]*

As a Primary Dealer in Government of Ghana Treasury bills in accordance with the Guidelines dated **DD/MM/YYYY** for the Primary Dealers in Government Securities Market together with the related documents including the Code of Conduct for Primary Dealers and after studying:

- (i) the Licensing Requirements, and Requirements and Responsibilities of Primary Dealers in Government Securities;
- (ii) the Guidelines for the Wholesale Auction of Government of Ghana debt instruments and Information Memorandum for the Issue of Government of Ghana Bonds; and
- (iii) the Code of Conduct for Primary Dealers in Government of Ghana Securities.

HEREBY make and furnish the following undertaking as a precondition to our being authorised as a Primary Dealer.

1. To commit to bid in all auctions of Government of Ghana Treasury bills.
2. At auctions of Treasury Bills, to purchase at least 3% of the total sold, measured in terms of the aggregate market value over a rolling six-month period.

3. To maintain adequate infrastructure in terms of both physical apparatus and skilled manpower for efficient participation in primary issues, trading in the secondary market, and for providing portfolio advice and education to investors.
4. To comply with all applicable requirements under the existing Guidelines, as may be amended or modified from time to time and to abide by the code of conduct as provided by BOG for Primary Dealers.
5. To submit in prescribed formats periodic reports including daily transactions and market information, report of details of transactions in securities and risk position and performance with regard to participation in auctions, annual audited accounts and quarterly performance review and such statements, certificates and other documents and information as may be specified by BOG from time to time.

SIGNED:

AUTHORISED SIGNATURE

NAME:

DESIGNATION:

DATE:

**APPENDIX II – BMS Letter of Authorization**

TO: THE HEAD  
TREASURY DEPARTMENT  
BANK OF GHANA  
ACCRA.

**UNDERTAKING FOR BOND MARKET SPECIALIST AUTHORISATION**

WHEREAS the Bank of Ghana (BOG), in response to our application, has offered in principle to admit

**ABC BANK** *[name of institution]*

HEREBY make and furnish the following undertaking as a precondition to our being authorised as a Bond Market Specialist:

1. To abide by all primary issuance auction rules and requirements established from time to time by the BoG and/or MoF.
2. At auctions, or other sales, of GoG notes and bonds, to purchase at least 3% of the total sold, measured in terms of the aggregate market value over a rolling six-month period.
3. To participate in every auction or sale of securities of GoG notes and bonds.
4. To maintain a minimum secondary market share of 3%, as measured on a six-month rolling average
5. To quote firm and executable continuous two-prices in benchmark Government Securities during normal business hours, as defined, through an appropriate electronic interface.
6. To respond to requests for quote (RFQ) from investors and non-BMS PDs in all GoG securities during normal business hours, as defined. For benchmark

bonds, two-way quotations shall be for a standard quantity, within the maximum spreads determined and published by GFIM in consultation with the BoG and MoF.

7. To publish representative price quotes in benchmark securities, on a daily basis, on a public platform such as its corporate website and/or other public place, such as a newspaper.

SIGNED:

AUTHORISED SIGNATURE

NAME:

DESIGNATION:

DATE:

PUBLIC