



# **BANK OF GHANA**

**NOTICE NO. BG/GOV/SEC/2021/09**

## **CORPORATE GOVERNANCE DIRECTIVE**

**For Rural and Community Banks**

**May, 2021**

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## PART I - PRELIMINARY

### Title

1. This Directive may be cited as the Corporate Governance Directive for Rural and Community Banks, 2021.

### Application

2. This Directive is issued under the powers conferred on the Bank of Ghana by sections 56 and 92 of the Banks and Specialised Deposit-taking Institutions Act, 2016 (Act 930) and shall apply to Rural and Community Banks (RCBs).

### Interpretation

3. In this Directive, unless the context otherwise requires:
  - a. **“Board”** means the Board of Directors of Rural and 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 the RCB’s strategy and objectives are set, risk appetite and or 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. **“Controlling Interest”** means a relationship where a person or a group of persons acting in concert, directly or indirectly:
    - i. owns twenty-five percent (25%) or more of the voting rights;
    - ii. has the power to appoint or remove the majority of the members of the Board;
    - iii. has the ability to exert a significant influence on the management or policies; or
    - iv. has the ability to drive the activities in order to affect the financial returns on any investment made.

- d. **“Duty of Care”** includes the duty to act in utmost good faith towards an 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.
- e. **“Duty of Loyalty”** includes a duty to act not in one’s own interest, or the interests of other person(s), in order not to conflict with the interest of the RCB or the fiduciary duty to the RCB.
- f. **“Independent Third Party”** means a firm and or natural person:
  - i. who has no material interest in that RCB other than as a depositor;
  - ii. in which a Director of the RCB has no interest as a partner or Director;
  - iii. who does not have a partner or Director that is a spouse of a Director of the RCB;
  - iv. who is not indebted to the RCB; or
  - v. who does not perform bookkeeping/accounting or secretarial services for the RCB.
- g. **“Key Management Personnel”** include the chief executive officer, deputy chief executive officer, chief operating officer, chief finance officer, board secretary, treasurer, chief internal auditor, chief risk officer, the head of compliance, the anti-money laundering reporting officer, the head of internal control, the chief legal officer, the manager of a significant business unit of the RCB, or any person with similar responsibilities.
- h. **“Related Persons”** include a spouse, son, daughter, step-son, step-daughter, brother, sister, father, mother, cousin, nephew, niece, aunt, uncle, step-sister and step-brother of a significant Shareholder, Director or Key Management Person.
- i. **“Related Party”** in relation to business transactions means a company or entity in which:
  - i. the RCB or any of its significant Shareholders, Directors or Key Management Personnel have equity interest of at least five percent (5%); and
  - ii. a Director or Key Management Person has influence.
- j. **“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 to:
  - a. require RCBs to adopt sound corporate governance principles and best practices to enable them undertake their licensed business in a sustainable manner;
  - b. promote the interest of depositors and other stakeholders by enhancing corporate performance and accountability of RCBs;
  - c. promote and maintain public trust and confidence in RCBs by prescribing sound corporate governance standards which are critical to the proper functioning of the RCBs; and
  - d. maximise shareholders' value and interest.

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## **PART II - RELEVANT LEGAL REQUIREMENTS**

### **Disqualification of Directors and Key Management Personnel**

5. Section 58 of the Banks and Specialised Deposit-taking Institutions Act, 2016 (Act 930) prohibits a person from being appointed, elected or from accepting an appointment or election as a Director or Key Management Person of an RCB 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, or 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 Person or 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 Person of another bank, specialised deposit-taking institution or financial holding company, except otherwise allowed by Act 930;
  - f. is under the age of eighteen (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 Person of an RCB, shall declare to the Board of that RCB 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;
  - b. the investment or business interests of that person in a firm, company or RCB 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 Person of the RCB; and

- c. 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 an RCB, who has an interest in:

- a. a proposed credit facility to be given to a person by the RCB; 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, whether directly or indirectly, and 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 an RCB shall not take up the office of Director on the Board unless that proposed Director has been given a prior written approval by the Bank of Ghana after it has made a determination of the fitness and propriety of the proposed Director; and
- b. An RCB shall notify the Bank of Ghana of the changes in its Directors and Key Management Personnel as soon as the changes occur and obtain prior written approval from the Bank of Ghana before assumption of duty.



## **PART III - SOUND CORPORATE GOVERNANCE STANDARDS**

### **Shareholding and Ownership**

#### **Restrictions on Shareholding of Rural and Community Banks**

9. Shareholding in RCBs shall be restricted to only Ghanaians. The following shareholding limits shall apply:
  - a. Shareholding by any natural person shall not exceed thirty percent (30%) of total shares;
  - b. Family or related party ownership shall not exceed forty percent (40%) of total shares;
  - c. Community participation in ownership shall not be less than twenty percent (20%) of total shares; and
  - d. Corporate bodies are restricted to a maximum of fifty percent (50%) of total shares.

The Bank of Ghana may review the shareholding limits from time to time or as and when it deems fit.

#### **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. The Board Charter shall define the authority of the Board and set out the following minimum standards:
  - a. Overall Board responsibility;
  - b. Code of Ethics for Directors;
  - c. The structure of the Board, clearly articulating its composition and functional arrangements;
  - d. Competencies/qualifications to indicate required skill set, diversity, knowledge and experience;
  - e. Composition and reporting lines of Board Committees;

- f. Frequency of meetings of the Board and committees, attendance to meetings and quorum required for decision making. This shall be in accordance with the provisions of the Companies Act, 2019 (Act 992);
- g. Processes for the appointment, re-election, resignation and removal of Directors;
- h. Tenure of office of Directors and clear succession plans;
- i. Remuneration of Directors;
- j. Commitment to corporate governance principles required of Directors;
- k. Appropriate accountability and control systems;
- l. Timeline for declaration of intention to contest the position of Director; and
- m. Any other matter that the Board of Directors may consider appropriate or relevant.

The Charter shall be reviewed at least every three (3) years.

### **Duties of the Board**

- 11. The Board and each Director, in relation to the RCB in which they serve, stand in fiduciary relationship and are required to perform the following duties:
  - a. To act honestly and in good faith (Duty of Care);
  - b. To act in the best interests and for the benefit of the RCB (Duty of Loyalty);
  - c. To act independently, free from undue influence of any person(s);
  - d. To access necessary information to enable the Director to control his/her responsibilities; and
  - e. To immediately report in writing to the Bank of Ghana if there is sufficient reason to believe that the RCB:
    - i. may not have the capacity to properly conduct the business as a going concern;
    - ii. is not likely to meet its obligations in the near future;
    - iii. has suspended or is about to suspend a payment of any kind;

- iv. does not or may not meet the required capital;
- v. is engaged in, exposed to, or involved in an event that is likely to have a material adverse impact on the RCB; or
- vi. has contravened or is likely to contravene an enactment.

### **Board Roles and Responsibilities**

12. The Board shall ensure the success of the RCB by setting the strategic direction, establishing the risk appetite, and continuously monitoring and improving the RCB's performance so as to protect depositors' interest and enhance shareholders' value.

The roles and responsibilities of the Board shall include the following:

- a. Ensuring that a well-structured and rigorous selection process is put in place for the appointment of Key Management Personnel of the RCB. The Board shall ensure that its obligations to all stakeholders, including depositors, creditors, employees, authorities and the communities are upheld;
- b. Approving and monitoring the RCB's overall business strategy;
- c. Considering and approving the RCB's annual budget prior to the ensuing year for implementation, monitoring and control;
- d. Approving the formulation and overseeing the implementation of the following:
  - i. Internal Control System; and
  - ii. Corporate Governance Framework, Principles and Corporate Values, including a code of business conduct or comparable document which shall set out the RCB's requirements and processes for reporting and dealing with non-compliance.
- e. Meeting regularly with Key Management Personnel;
- f. Critically questioning and reviewing explanations and information provided by Key Management Personnel;
- g. Setting formal performance standards for Key Management Personnel consistent with the RCB's long-term objectives, strategy and financial soundness, and monitoring Key Management Personnel's performance against these standards; and

- h. Monitoring and ensuring 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 RCB to this Directive.

### **Corporate Culture and Values**

- 14. The Board shall establish the corporate culture and values of the RCB that promote and reinforce norms for responsible and ethical behaviour.

### **Succession Plan**

- 15. The RCB shall implement a succession plan to ensure that a framework is in place for an effective and orderly succession of Directors and Key Management Personnel.
- 16. The Board shall select, subject to approval by the Bank of Ghana (where applicable), and identify existing, high-potential and qualified personnel who may be suitable for Key Management positions. The Board shall assess the skills they require to lead and provide opportunities for training.

### **Separation of Powers**

- 17. There shall be clear lines of accountability at the top hierarchy of an RCB and all RCBs shall be guided by the following:
  - a. The positions of the Board Chairperson and the Chief Executive Officer (CEO) shall be distinct and separate from each other;
  - b. The CEO shall attend all Board meetings as an ex-officio member 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 Chairperson and CEO of an RCB; and
  - d. Directors are prohibited from performing management functions and interfering with managerial duties.

### **Restrictions on Directors**

18. A Director shall not:
- a. be employed in an executive position in the RCB at least two (2) years prior to appointment to the Board;
  - b. have related persons employed by the RCB as Key Management Personnel in the last two (2) years prior to the appointment to the RCB; and
  - c. have engaged in any transaction with the RCB within the last two (2) years on terms that are less favourable to the RCB 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 Directors 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. An RCB shall consider gender diversity in its Board composition. There shall be at least one female Director on the Board of every RCB.
21. No RCB shall have more than two (2) Directors serving on its Board that are related persons.

### **Board Induction**

22. An RCB shall establish a formal induction programme for newly appointed Directors to enable them effectively discharge their duties and responsibilities. Directors approved by the Bank of Ghana shall complete their induction programme within a month.

### **Board Size**

23. The Board shall comprise at least five (5) and at most seven (7) Directors who are ordinarily resident in Ghana.

### **Tenure of Office of Directors**

24. A Director of an RCB shall hold office for a term of three (3) years and shall not hold office for more than three (3) terms.

### **Directors' Appointments**

25. The procedure for appointment of Directors to the Board shall be formal and transparent, including elections at AGMs, and shall conform to the "Fit and Proper Persons Directive 2019" issued by the Bank of Ghana. A person shall not assume the position of Director of an RCB without obtaining the prior written approval from the Bank of Ghana.
26. Directors shall receive formal appointment letters from the RCB. The appointment letters for Directors shall at a minimum cover the following areas:
- a. Term of office;
  - b. Roles and responsibilities of the Director;
  - c. Disclosure of interest and conflict of interest; and
  - d. Remuneration.

### **Board Chairperson**

27. The term of office of a Board Chairperson of an RCB shall not be more than three (3) years and may be renewed for one (1) additional term only.
28. The Chairperson of the Board shall not have a controlling interest in an RCB 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. 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.
29. The Chairperson shall encourage constructive relationship within the Board and between the Board and Management.

### **Board Secretary**

30. 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, company law regulations, 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 RCB.

The qualification of the Secretary shall be as provided for in the Companies Act, 2019 (Act 992).

### **Board Meetings**

31. The conduct of meetings shall be in accordance with the provisions of the Board Charter of the RCB and satisfy all the requirements, including:
  - a. The recording of minutes of the meeting; and
  - b. The determination of quorum for meetings and the quorum required for the taking of decisions affecting the RCB.
32. An RCB shall hold at least four (4) Board meetings annually. Board meetings may be held in person or arranged and conducted via video/teleconference.
33. A Director is deemed to have attended a Board meeting if that Director participates in the meeting in person or via video/teleconference for the entire duration of the meeting.
34. A Director has a duty to attend Board meetings regularly and to participate in the conduct of the business of the Board.
35. A Director shall attend at least seventy-five percent (75%) of the Board meetings of the RCB 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, subject to shareholders' approval. Removal of the said Director shall be done in accordance with section 176 of the Companies Act, 2019 (Act 992).

## **Board Discussions**

36. The Board shall discuss reports of the RCB as submitted by the Key Management Personnel. The reports shall include, inter alia:
- a. Financial statements and performance review against the approved budget, business plan, peers and industry data;
  - b. The extent to which the RCB is exposed to various risks such as credit, liquidity, operational and other risks;
  - c. Compliance with minimum capital requirements;
  - d. A review of capital adequacy ratio, provisions for delinquent loans and credit recovery reports;
  - e. Review of non-performing loans, related party transactions and credit concentrations;
  - f. Effectiveness of operational arrangements and internal control systems;
  - g. Proper management of the RCB's resources;
  - h. Outstanding litigations and contingent liabilities;
  - i. Compliance with Anti-Money Laundering/ Combating the Financing of Terrorism (AML/CFT) policies, laws and regulations; and
  - j. Related party exposures and their classification.

## **Board Committees**

37. The Board shall establish specialised Board Committees, the number and nature of which shall depend on the size, complexity and risk profile of the RCB.
38. At a minimum, an RCB shall have two (2) Board Committees, namely: Audit, Risk and Compliance Committee and Credit Committee.
39. The Board Chairperson shall not be a member of any Board Committee.
40. Other Board Committees may be established taking into consideration size, complexity and risk profile of the RCB.



41. The Board shall issue, in writing, the Terms of Reference (TOR) for each committee. The TOR shall set out the committee's mandate, scope, procedures, frequency of meetings and reporting lines.
42. Membership of Board Committees shall be occasionally rotated and the chairmanship of such committees shall be rotated every three (3) years to avoid undue concentration of power and to promote fresh perspectives.

#### **Audit, Risk and Compliance Committee**

43. The Audit, Risk and Compliance Committee of the Board shall consist solely of Directors who are knowledgeable in accounting, auditing, risk management, information and communication technology, finance and banking, and shall have oversight of the RCB's internal and external audit functions among others, as may be prescribed by the Board.

#### **Credit Committee**

44. The Credit Committee shall be responsible for advising the Board on the assets quality of the RCB, exposure concentration, credit/deposit ratio and non-performing loans ratio. The Committee shall be chaired by an experienced Director who is knowledgeable in accounting, banking, economics and risk management.

#### **Board Evaluation**

45. The Board shall ensure that there is a formal and rigorous internal and external evaluation of the performance of the Board, Committees, the Chairperson and individual Directors.
46. The Board shall ensure that an externally facilitated evaluation of the performance of the Board, Committees, the Chairperson and individual Directors is conducted once every three (3) years by an independent third party.

#### **Appointment of Key Management Personnel**

47. Every RCB shall submit to the Bank of Ghana, before it appoints any Key Management Person, a comprehensive report on the due diligence conducted on the proposed nominee. This submission shall be made in conjunction with the requirements under section 60 of Act 930.

### **Tenure of Office of CEO**

48. A CEO of an RCB shall hold office for a term of four (4) years and shall not hold office for more than three (3) terms.

### **Key Management Personnel Responsibilities**

49. Under the direction of the Board, Key Management Personnel shall:
- a. ensure the activities of RCBs are consistent with the business strategy, risk tolerance and or appetite and policies approved by the Board in order to contribute substantially to the sound corporate governance practices of RCBs;
  - b. assign tasks or delegate duties to Staff, provide adequate oversight of those they manage, provide training and development opportunities to sustain the delivery of short and long-term objectives and protect the reputation of the RCB;
  - c. establish a management structure that promotes accountability, transparency, fairness and responsibility;
  - d. implement appropriate systems for managing risks designed to ensure adherence to the RCB's strategy and risk tolerance and or appetite;
  - e. be ultimately responsible to the Board for the performance of the RCB; and
  - f. hold monthly meetings and minutes of such meetings shall be recorded.

### **Internal Auditor**

50. An RCB shall have an Internal Auditor who shall be a Key Management Person. The Internal Auditor shall be independent and not operationally involved in the RCB's day-to-day-activities and business line responsibilities. The Internal Auditor shall have the competence to examine all areas in which the RCB operates and shall:
- a. have the professional competence to collect and analyse financial information, evaluate audit evidence, and communicate to the stakeholders of the internal audit function;
  - b. possess sufficient knowledge of auditing techniques and methodologies;
  - c. report directly to the Board or the Board's Audit, Risk and Compliance Committee and have direct access to the Board and its committees. Interaction between the Board and the Internal Auditor shall be regular and comprehensively documented; and

- d. be guided by an Internal Audit Charter that shall be approved by the Board. The Internal Audit Charter shall set out the purpose, authority and responsibility of the Internal Auditor in accordance with the requirements of the Institute of Internal Auditors.

### **Appointment of External Auditors**

51. An RCB shall appoint qualified Auditors to be their External Auditors with approval from the Bank of Ghana.
52. An External Auditor of an RCB shall hold office for a term of not more than six (6) years and is eligible for re-appointment after a cooling-off period of not less than five (5) years.
53. The Bank of Ghana may, where it deems appropriate, appoint a qualified Auditor to be the External Auditor of an RCB for such period as it deems fit if the RCB 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.
54. A person or firm may not be approved by the Bank of Ghana to serve as an External Auditor of an RCB unless he/she/it complies with such conditions in relation to the discharge of his/her/its duties as the Bank of Ghana may determine, is qualified to be an External Auditor of any financial institution and meets the requirements of section 81 of Act 930. The External Auditor shall be independent.
55. Where the Bank of Ghana appoints External Auditors for an RCB, the Bank of Ghana may also fix the remuneration of such External Auditors which shall be paid by the RCB.
56. No RCB shall, before the expiry of a running term, remove or change its External Auditor except with the approval of the Bank of Ghana.
57. An External Auditor of an RCB who resigns or is being asked by the RCB to resign shall notify the Bank of Ghana of the circumstances and reasons behind the call for his/her/its resignation.

### **Internal and External Audit Functions**

58. The Board and Key Management Personnel shall effectively utilise the work done 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. The Board shall engage the Auditors to evaluate the effectiveness of existing controls.

59. The internal audit function shall provide independent assurance to the Board and shall support the Board and Key Management Personnel in promoting an effective governance process and the long-term soundness of the RCB.
60. The internal audit function shall have a clear mandate, be accountable to the Board and be independent of the audited activities. Where the Internal Auditor is to be removed from his or her position, the reasons for the removal shall be disclosed to the Bank of Ghana.

### **Compensation System**

61. The Board shall actively oversee the design and operation of the compensation system of the RCB. The Board shall monitor and review the compensation system to ensure that it is effectively aligned with prudent risk taking.
62. Levels of remuneration shall be sufficient to attract, retain and motivate Staff of the RCB and this shall be balanced against the interest of the RCB in not paying excessive remuneration.
63. Directors shall be entitled to Sitting 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. Directors shall not be entitled to performance related remuneration.

### **Disclosure and Transparency**

64. An RCB shall submit a list of its significant Shareholders, Directors and Key Management Personnel as at December 31 of every year to the Bank of Ghana by January 10 of the ensuing year. The governance of the RCB shall also be sufficiently transparent to its shareholders, depositors and 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, voting rights and related party transactions of the RCB.

65. To promote increased share acquisition for increased capital formation for RCBs, 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**

66. RCBs shall establish a Code of Ethics which shall be made available to the Board, Key Management Personnel, Staff and persons to whom it applies. The Code shall be reviewed regularly where necessary and shall:
- a. contain among others, practices necessary to maintain confidence in the integrity of the RCB;
  - b. commit the RCB, its Board, Key Management Personnel and Staff 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 RCB by Directors, Key Management Personnel and Staff; and
  - d. be signed off by Directors, Key Management Personnel and Staff on an annual basis as an indication that they understand the Code of Ethics and Sanctions for breaching the policy.

### **Corporate Governance Certification**

67. Directors shall undertake Corporate Governance Certification once every three (3) years 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 update their corporate governance knowledge.

### **Cooling-off Period**

68. Former Key Management Personnel of an RCB shall not be eligible for appointment as Directors of that RCB until after a period of two (2) years following the end of employment with that RCB.
69. A practicing Auditor who is rendering services or has rendered auditing services shall not be appointed as a Director of that RCB until two (2) years have elapsed since the last engagement with that RCB.

## **PART IV - REMEDIAL MEASURES AND SANCTIONS**

### **Relevant Provisions of the Act 930**

70. The following remedial measures and sanctions under Act 930 shall apply in addition to any other corrective measures and specific directives that the Bank of Ghana may require:
- a. Under section 58 of Act 930, where a person currently in office is disqualified from being elected or appointed as a Director or Key Management Person of an RCB, that person shall immediately cease to hold office and the RCB shall immediately terminate the appointment of that person, otherwise the RCB and or that person shall be liable to pay an administrative penalty of One Thousand (1,000) penalty units in accordance with section 58 (4) of Act 930;
  - b. A person who contravenes the required disclosure of interest requirements under section 59 of Act 930, shall cease to be a Director of that RCB and any approval granted to that person by the Board of Directors in respect of a matter in which that person is interested, shall become unenforceable in accordance with section 59 (6) of Act 930;
  - c. Non-compliance by RCBs with the requirements under section 60 of Act 930 shall render the RCB liable to the payment of a fine of One Thousand (1,000) penalty units to the Bank of Ghana in accordance with section 60 of Act 930;
  - d. An RCB which fails to comply with the Bank of Ghana's directives is liable to pay to the Bank of Ghana an administrative fine of not less than Two Thousand (2,000) penalty units and not more than Ten Thousand (10,000) penalty units under section 92 (8) of Act 930; and
  - e. Under section 102 (3) of Act 930, the Bank of Ghana may, among others, suspend or remove from office, the CEO and other Key Management Personnel of that RCB, restrict the powers of the CEO, recommend the removal of any or all of the Directors or restrict the powers of its Board, if it is satisfied that the RCB has failed to comply with a provision of the Act or rules or directives issued under Act 930, has been conducting its affairs in a manner detrimental to the interests of its depositors and creditors, or if that RCB 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:

71. An RCB in existence, before the coming into force of this Directive, that does not meet the required standard, shall have a grace period up to December 31, 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 Committees.

### **Tenure of Office of Board Chairperson**

72. Despite paragraph 27, a Board Chairperson of an RCB 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 in office as Board Chairperson upon the expiration of the current term of his/her appointment in that RCB.
73. Where the existing appointment of the Board Chairperson of an RCB 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 RCB, the RCB shall by September 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 March 31, 2022.
74. 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 RCB, the RCB shall by September 30, 2021 furnish the Bank of Ghana with a written contract stipulating a fixed term of office for the Board Chairperson.

### **Tenure of Office of Directors**

75. Despite paragraph 24, a Director of an RCB who prior to the coming into force of this Directive has 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 RCB.

### **Tenure of Office of CEO**

76. Despite paragraph 48, the term of office for a CEO of an RCB indicated in a fixed term contract executed with the RCB before the coming into force of this Directive may run in full and shall not be renewed where that CEO has cumulatively served for more than twelve (12) years in that RCB.
77. A renewal or extension of a contract under paragraph 76 shall be subject to the renewal guidelines under paragraph 48 and shall not be for any additional term that brings the cumulative years of service of the CEO in that RCB and, in that capacity, to more than twelve (12) years.
78. Despite paragraph 48, an existing CEO who has served more than eight (8) years may serve an additional term of up to four (4) years or the number of years to compulsory retirement, whichever comes first, subject to the Bank of Ghana's approval.

### **Effective Implementation Date**

79. The effective date for the implementation of all sections of the Corporate Governance Directive shall be March 31, 2022.



## APPENDIX

### 1. Board Induction

Induction for Directors is the process of introducing newly appointed directors of RCBs to their role by providing appropriate information, visits to branches and meetings with Key Management Personnel.

The induction programme shall, at a minimum, cover the following critical areas:

- a. Overview of the bank;
  - i. History of the bank;
  - ii. Structure and philosophy;
  - iii. Vision, mission, and strategy;
  - iv. Key customers, markets, contracts, suppliers, etc.;
  - v. Financial performance and analysis; and
  - vi. Internal control and assurance functions.
- b. Regulatory, prudential and legal requirements; and
- c. Board Committees (Duties and Responsibilities).

The following documents shall be presented to newly appointed directors:

- i. Board Charter and Terms of Reference for Board Committees;
- ii. Strategic and operating plans;
- iii. List of regulatory and legal requirements;
- iv. Code of Conduct and Ethics;
- v. Corporate Governance Policy;
- vi. Risk Management Guidelines for RCBs;
- vii. The Banks and Specialised Deposit-taking Institutions Act, 2016 (Act 930);  
and
- viii. Corporate Governance Directive for RCBs.

## 2. Audit, Risk and Compliance Committee

- a. The objective of the Audit, Risk and Compliance Committee shall be to provide an independent review of the activities of the RCB.
- b. The Audit, Risk and Compliance Committee on an annual basis, or more frequently as deemed fit, shall assess the appropriateness of the strategic plan of the RCB.
- c. The Audit, Risk and Compliance Committee is responsible for overseeing the financial reporting process, including:
  - i. The establishment of Accounting Policies and Practices by the RCB;
  - ii. Providing oversight of the internal and external audit functions;
  - iii. The appointment, compensation and removal of External Auditors;
  - iv. Reviewing and approving the audit scope and frequency;
  - v. Receiving key audit reports and ensuring that Key Management Personnel are 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; and
  - vi. Any other relevant matter referred to the committee by the Board.
- d. The Audit, Risk and Compliance Committee is responsible for overseeing cybersecurity risks and management's efforts to monitor and mitigate these risks in the RCB.

## 3. 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 instituting an effective structure to execute those policies. Key Management Personnel are also responsible for the day- to-day management of the RCB.
- b. Key Management Personnel shall ensure that policies are communicated to employees and that these policies are embedded in the culture of the RCB. Key Management Personnel shall have appropriate committees which shall review among others, reports on liquidity risk, 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 RCB on both long-term and day-to-day basis. This responsibility includes ensuring that there are:
  - i. Clear lines of responsibility for Key Management Personnel; and
  - ii. Effective Internal Controls.
- d. Key Management Personnel shall also ensure that the significant activities of the RCB are allocated sufficient resources and Staff to manage and control inherent risk.

#### 4. Management Committees

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

- a. Management Committee (MANCOM): MANCOM shall support the CEO to guide and direct the RCB and to facilitate the flow of information between the Board and Key Management Personnel. MANCOM shall be responsible for the following:
  - i. Liquidity Management;
  - ii. Reviewing operations and branch expansion;
  - iii. Prudential Reports submission to the Bank of Ghana;
  - iv. Reviewing Management Accounts; and
  - v. Implementing audit recommendations.
- b. Credit Committee - The Credit Committee shall have a 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 overdue and non-performing accounts.

## 5. Internal Audit

- a. An RCB shall have an internal audit function which shall be headed by a Key Management Person appointed and assessed by the Board Audit, Risk and Compliance Committee, and who reports directly to the 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 RCB are implemented; and
  - iii. The adequacy and reliability of management information, financial and operational reports to the Board and Key Management.

## 6. Compliance Function

- a. An RCB 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 RCB 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 a Key Management Person or directly subordinate to such a member, appointed by the CEO, subject to the approval of the Board.
- d. The Compliance Officer shall be responsible for monitoring and reporting on the adherence or otherwise of the RCB to various obligations in its business relations with customers.
- e. The Compliance Officer shall assist management and the Board in meeting the responsibilities of the RCB 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 violation of the laws and regulations; and
- iii. Preventing any breach of confidence by officeholders to prevent financial losses to the RCB.

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

**20<sup>TH</sup> MAY 2021**

PUBLIC