

BANK OF GHANA



EXPLANATORY NOTES ON THE REVISED RISK MANAGEMENT DIRECTIVE

*FOR BANKS, SAVINGS AND LOANS, FINANCE HOUSES AND FINANCIAL HOLDING
COMPANIES*

Prepared by the Bank of Ghana

NOVEMBER 2021

TABLE OF CONTENTS

INTRODUCTION	1
NOTES EXPLAINING REVISIONS REFLECTED IN THE 2021 RISK MANAGEMENT DIRECTIVE	2

INTRODUCTION

Pursuant to Section 92(1) of the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930), the Bank of Ghana (BOG) issued the Risk Management Directive (RMD) in November 2021 following consultations with the banking industry (herein called “the industry”) as well as the Bank’s development partners, mainly IMF/AFRITAC West2 Technical Assistance Missions.

The RMD is aimed at ensuring that banks, savings and loans, finance houses, and financial holding companies, hereinafter referred to as Regulated Financial Institutions (RFIs), have the requisite systems to adequately identify, measure, evaluate, control, mitigate, and report material risks that may affect its ability to meet its obligations to depositors and other stakeholders.

The Bank of Ghana has subsequently given the Risk Management Directive significant consideration in light of the views, suggestions, and contributions received throughout the public consultation process. This resulted in a revised Risk Management Directive dated November 2021, which resolves material issues raised in the Risk Management Directive's Exposure Draft.

As such, this paper aims to clarify the important amendments made to the Directive named Risk Management Directive, 2021 in its final form.

NOTES EXPLAINING REVISIONS REFLECTED IN THE 2021 RISK MANAGEMENT DIRECTIVE

Part III – Section 7: Risk Management Strategy

This section, which details the minimum material risks that Boards of Directors of RFIs should consider when establishing their Risk Universe, has been expanded to include three (3) additional risks, namely:

- i. Money laundering/ financing of terrorism risk;
- ii. Systemic risk; and
- iii. Environmental and social (E&S) risk – Climate-related financial risk.

These material risks are deemed to have the capability to affect the safety and soundness of individual RFIs as well as threaten the stability of the banking system.

Part III – Section 25: Risk Culture and Organisational Accountability for Risk

The second sentence of this section has been deleted as it is reflected in the definition of the Three Lines of Defence Model under Interpretations of Part I.

Part III – Sections 39: Risk Management Declaration

Annual report has been replaced with Audited Financial Statement to ensure consistency with Bank of Ghana's Corporate Governance Disclosure Directive requirements.

NOVEMBER 2021