



LAUNCH OF THE COMMERCIAL PAPER MARKET IN GHANA

KEYNOTE ADDRESS

BY

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The Managing Director of the Ghana Stock Exchange

The Deputy Director-General of the Securities and Exchange Commission

GSE Council Members

The Chief Executive Officer of the Central Securities Depository

Representatives of various stakeholder institutions

Members of the Press

Ladies and Gentlemen,

Good morning.

1. First, I would like to thank the Acting Chairman and members of the governing council of the Ghana Stock Exchange, the Managing Director, and organisers of this programme for inviting me to this special launch and outdooing of the Commercial Paper Market in Ghana.
2. Let me also thank all the various stakeholders who have worked assiduously to make this launch possible. I acknowledge the leading roles played by Stanbic Bank Ghana and Bentsi-Enchill Letsa & Ankomah for collaborating with the Ghana Stock Exchange (GSE) to develop a framework towards the effective operation of a commercial paper market in Ghana.
3. Distinguished Guests, the unique role played by the financial sector and the capital market in developing Ghana's economy cannot be overemphasized. It is for this reason that the Bank of Ghana has partnered with the Ghana Stock Exchange, since its establishment in 1990, to provide an efficient securities market that grants access to capital and investment for economic development.
4. Throughout these years, the Stock Exchange has spearheaded several innovative projects to improve the depth of the capital and financial markets. For instance, in May 2021, the Exchange launched a 10-year strategic Capital Market Master Plan (CMMP) to deepen the capital market, make it more efficient, and ensure that it is well-regulated and attractive for local and international investors. Today, we are gathered here to witness one of the outcomes of this plan.

5. Ladies and gentlemen, Ghana has gone through some economic challenges in recent times. Global developments combined with domestic factors led to financing pressures, a depreciating domestic currency, declining international reserves, slowing economic activity, and high inflation. Faced with these economic challenges and heightened uncertainty, the government of Ghana requested for and received a 3-year IMF supported Extended Credit Facility (ECF) of US\$3 billion, to help restore macroeconomic stability and debt sustainability.
6. As we all know, one of the economic reforms under the programme was for the government to restructure its debt. Consequently, the government embarked on a painstaking Domestic Debt Exchange Programme where some domestic government debt was restructured to help restore debt sustainability. This development significantly impacted the financial sector and threatened investor confidence.
7. Indeed, the investment climate for both retail and institutional investors became limited, the reason why I would like to commend the Ghana Stock exchange for introducing the Commercial Paper Market to support the development of Ghana's capital market. With this launch, Pillar 1 of the CMMP, which is to improve the diversity of investment products and liquidity of the securities market has been achieved and I am optimistic that this will lay the foundation for achieving the remaining three pillars of the 10-year strategic Capital Market Master Plan.
8. Distinguished Guests, with the introduction of the Commercial Paper market in Ghana, the plan to diversify the investment space and investor base is now fully on course. My understanding is that, in line with pillar four (4) of the CMMP, the Securities and Exchange Commission has also approved the Commercial Paper Issuance and Admission Rules to help regulate the Commercial Paper Market. This is good progress, which should spur the achievement of the overall objectives of the 10-year strategic plan.
9. We, at the Bank of Ghana, are particularly excited about these developments because having a vibrant commercial paper market bodes well for diversity for both short-term lenders and borrowers and complements the traditional sources of investment products for

investors. Ladies and gentlemen, a vibrant commercial paper market provides businesses with additional avenue to raise short-term capital quickly and efficiently. This diversification helps small and medium scale enterprises (SMEs) and emerging businesses struggling to access traditional financing channels.

10. Therefore, the launch of a formal Commercial Paper Market has come at the opportune time to create new investment opportunities for institutional investors, such as pension funds, insurance companies, and asset management firms. This will also instil market confidence in the product and give protection to investors.
11. It is important to note that the commercial paper market has existed for some time, but it remains small relative to its potential, with limited avenues for trading. So, the Ghana Stock Exchange deserves commendation for spearheading efforts to revamp this unique commercial paper market in Ghana.
12. The benefits of a thriving commercial paper market are manifold and should serve as a catalyst for greater innovation within the Ghana Stock Exchange. Success in this regard will boost the development of an active and liquid bond market, enabling firms to issue long-dated securities. Given the increasingly pressing global issue of climate change, I encourage the GSE to also consider implementing rules conducive to the introduction of Green Bonds or the trading of carbon credits.
13. Ladies and gentlemen, let me say here that the economic headwinds that weighed on the recovery process are gradually easing, and has provided a conducive environment to launch this product. So far, the market has been calm, backed by some recent debt servicing by the government. On various due dates, the government has paid all cash coupons and Payment-in-Kind (PIK) coupons on the DDEP Bonds. The government has also paid all individuals who opted out of the DDEP exercise. The government has started paying institutional holders who did not participate in the DDEP. In the last two (2) weeks, about GHS200 million was paid to institutional investors.
14. Economic activities are picking up. The Bank's high-frequency real sector indicators point to a continued pickup in economic activity in 2024. The Bank's latest confidence surveys

reflected sustained improvements in business sentiments. Headline inflation has remained broadly stable since December 2023. Fiscal performance points to some consolidation, as the 2023 targets were broadly met. The exchange rate has been generally stable until recent weeks when some headwinds have been observed in segments of the market, but this is given much attention as the Bank has built-up enough reserves to tackle the pressure on the market.

15. The banking sector's performance has also rebounded after the DDEP. This notwithstanding, credit to the private sector by banks has remained weak. In response to this and to anchor inflation expectations, the Bank of Ghana introduced the dynamic Cash Reserve Ratio (CRR), which is dependent on bank's loan-to-deposit ratio. This strategy by the Bank is to create incentive for the banks to undertake effective intermediation of their resources in support of the economy, while at the same time mopping up excess liquidity in the system to support the disinflation process. The introduction of the Commercial Paper Market is, therefore, a step in the right direction to augment the efforts of the Bank of Ghana towards addressing the financing gap within the private sector.
16. Ladies and gentlemen, the Bank of Ghana stands ready to collaborate on policy and operational matters needed to drive innovation in the commercial paper market space. Additionally, we remain steadfast in our commitment to enforcing regulations to uphold the integrity of our banking system.
17. The recent sanctions imposed on certain banks for violating FX laws underscore the importance of vigilance and dedication from all participants in the financial sector. Without a collective commitment to a rule-based operating financial environment, we risk undermining the trust and credibility essential for a world-class financial system. Therefore, I urge the Ghana Stock Exchange to strictly enforce the regulations pertaining to commercial paper issuance.
18. The Exchange should always strike a fine balance between creating an environment where issuers can be innovative without flagrant disregard for market conduct rules. Upholding these rules is imperative for fostering investor confidence and facilitating the anticipated growth of the commercial paper market.

19. In conclusion, let me once again thank the leadership of the Ghana Stock Exchange and the organizers for the invitation to share these few words at this launch of the Commercial Paper Market. I also want to reaffirm Bank of Ghana's unwavering commitment to collaborate with the Ghana Stock Exchange in advancing Ghana's financial system. Thank you and I wish you a successful launch.

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