FINANCIAL STABILITY COUNCIL

FINANCIAL STABILITY REVIEW 2024

Theme: Fostering Stability and Resilience

Financial Stability Review
2024

Preface

The Financial Stability Review assesses developments in Ghana's financial system, focusing on policies implemented to mitigate emerging risks to financial stability. This report is segmented into eight (8) chapters: macro-financial developments, developments in Ghana's financial system, assessment of Banking, Insurance, Securities, and Pensions Industries, Financial Sector Resilience, and a special feature section that highlights topical issues of relevance to Financial Stability. In this current edition, the special feature focuses on emerging trends in the area of Anti-Money Laundering, Countering the Financing of Terrorism and Proliferation Financing (AML/CFT/CPF), Deposit Insurance, Collateral Registration, and Financial Technologies.

The Financial Stability Review is a collaborative effort of the Bank of Ghana, Ministry of Finance, National Insurance Commission, Securities and Exchange Commission, National Pensions Regulatory Authority, Ghana Deposit Protection Corporation and the Financial Intelligence Centre, under the auspices of the Financial Stability Council (FSC).

TABLE OF CONTENTS

Preface	V
Abbreviations	VIII
Foreword	X
The Financial Stability Council	XII
Executive Summary	XV
01	
Macro-Financial Developments	1
1.1 Global Macroeconomic Developments	2
1.2 Developments in Global Financial Stability Risks	3
1.3 Macroeconomic Developments in Sub-Saharan Africa	3
1.4 Financial Stabiliity Risks in Sub-Saharan Africa	4
1.5 Domestic Macroeconomic Developments	5
02	
Developments in Ghana's Financial System	8
2.1 The Financial System in Ghana	9
2.2 Interconnectedness of the Financial System	10
03	
Assessment of the Banking Industry	12
3.1 Performance of the Banking Industry	13
3.2 Regulatory Developments and Mitigating Measures for Emerging Risks	17
04	
Assessment of the Insurance Industry	20
4.1 Performance of the Insurance Industry	21
4.2 Regulatory Developments	23
4.3 Measures to Mitigate Emerging Risks	24
05	
Assessment of the Securities Industry	25
5.1 Performance of the Securities Industry	26
5.2 Regulatory Developments	29
5.3 Measures to Mitigate Emerging Risks	31

06	Assessment of the Pensions Industry	32
	6.1 Performance of the Pensions Industry	33
	6.2 Regulatory Developments	34
	6.3 Measures to Mitigate Emerging Risks	34
07	Assessment of the Resilience of the Financial Sector	36
	7.1 Stress Tests of the Banking Industry	37
	7.2 Assessment of Stock Market Resilience	40
	7.3 Risk of Capital Flight	41
08	Special Features	42
	8.1 Assessing the Contribution of the Collateral Registry to Ghana's Financial Inclusion Agenda	43
	8.2 Regulatory Developments and Mitigating Measures to Emerging Risks in Fintech and Payment Systems	47
	8.3 The Benefits of a Fit for Purpose Single Customer View to the Deposit Insurer during Reimbursement.	49
	8.4 Emerging Money Laundering, Terrorism Financing and Proliferation Financing Risks	52

Abbreviations

AfDB	African Development Bank
AI	Artificial Intelligence
AML	Anti-Money Laundering
AUM	Assets Under Management
BCP	Business Continuity Plan
BoG	Bank of Ghana
BOP	Balance of Payments
BSSI	Banking Sector Soundness Index
CAR	Capital Adequacy Ratio
CDD	Customer Due Diligence
CFT	Counbating the Financing of Terrorism
CIS	Collective Investment Schemes
COVID-19	Coronavirus disease 2019
CPF	Combating Proliferation Financing
CRR	Cash Reserve Ratio
CMO	Capital Market Operators
DDEP	Domestic Debt Exchange Programme
DESFT	Digital Economy Semi-Fungible Tokens
DFS	Digital Financial Services
DNFBPs	Designated Non-Financial Businesses and Professionals
ECF	Extended Credit Facility
EMDE	Emerging Markets and Developing Economies
ESG	Environmental, Social, and Governance
FATF	Financial Action Task Force
FIU	Financial Intelligence Unit
FMC	Fund Management Companies
FSC	Financial Stability Council
FSI	Financial Soundness Indicator
FSR	Financial Stability Review
GCX	Ghana Commodity Exchange
GDP	Gross Domestic Product
GDPC	Ghana Deposit Protection Corporation
GFIM	Ghana Fixed Income Market
GhIPSS	Ghana Interbank Payment and Settlement Systems
GIABA	Inter-Governmental Action Group against Money Laundering
GIFE	Ghana Integrated Financial Ecosystem
GSE	Ghana Stock Exchange
IADI	International Association of Deposit Insurers
ICT	Information and Communication Technology
IFRS	International Financial Reporting Standards
ILS	Interim Liquidity Support
KYC	Know Your Customer
ML	Money Laundering
MoF	Ministry of Finance
MPR	Monetary Policy Rate
MSME	Micro, Small, and Medium-Sized Enterprise
MTM	Marked-to-Market
NAV	Net Asset Value
NBFI	Nonbank Financial Institutions
NFIDS	National Financial Inclusion and Development Strategy
NIC	National Insurance Commission

NOP	Net Open Position
NPL	Non-Performing Loan
NPRA	National Pensions Regulatory Authority
PEP	Politically Exposed Person
PF	Proliferation Financing
PSP	Payment Service Provider
RBC	Risk-Based Capital
RBS	Risk-Based Supervision
REIT	Real Estate Investment Trust
RFI	Regulated Financial Institution
SCV	Single Customer View
SDI	Specialised Deposit-Taking Institutions
SEC	Securities and Exchange Commission
SME	Small and Medium-Sized Enterprise
SMPI	Stock Market Performance Index
SSA	Sub-Saharan Africa
SSNIT	Social Security and National Insurance Trust
TF	Terrorism Financing
UNCDF	United Nations Capital Development Fund
UNSCR	United Nations Security Council Resolution
UTC	Universal Trusted Credentials
VASP	Virtual Asset Service Provider
WMD	Weapons of Mass Destruction
YoY	Year-on-Year

Foreword

This edition of the Financial Stability Review is themed: ***Fostering stability and resilience.*** This report is being published after the maiden meeting of the reconstituted Financial Stability Council (FSC) in June 2025. The 2024 Financial Stability Review (FSR) captures developments within the financial sector under the previous Council. On behalf of the newly reconstituted council, I want to thank the previous Council Chair, Dr. Ernest Addison, and his team for their dedication in maintaining stability in Ghana's financial system.

Broadly, global economic growth remained robust recording an outturn of 3.3 percent in 2024, largely reflecting a strong pickup in economic activities in US and China. In the near term, growth is, however, projected to moderate to 2.8 percent in 2025 on account of trade tensions and policy uncertainties.

Global headline inflation eased to 5.7 percent in 2024, from 6.8 percent the previous year. The decline was on the back of a tight monetary policy stance globally and improved supply conditions for energy and food commodities. Headline inflation is expected to moderate further in 2025, despite lingering price pressures.

According to the IMF's October 2024 Global Financial Stability Report, near-term global financial stability risks appeared contained, but underlying vulnerabilities were building. These vulnerabilities included elevated asset valuations, rising sovereign debt, and increased leverage among non-bank financial institutions (NBFIs). Although banks had strengthened their capital and liquidity positions following the pandemic—demonstrating resilience to shocks—the expanding size and interconnectedness of NBFIs reflects heightened vulnerabilities in the system. In light of these vulnerabilities, strengthened prudential regulation, resilient market infrastructure, reliable access to central bank emergency liquidity, and robust crisis preparedness are essential to contain potential future shocks.

In Africa, average real Gross Domestic Product (GDP) growth was estimated at 3.3 percent in 2024, marginally higher than the 3.0 percent in 2023. Elevated government spending and increased private consumption in many countries were the main drivers of the rebound in growth. Latest projections suggest that average GDP growth for the continent will increase to 3.9 per cent in 2025 and 4.0 per cent in 2026.

Average annual inflation in Africa also increased to 18.7 per cent in 2024, from 16.9 per cent in the previous year. The pickup in inflation was primarily due to an increase in food and energy prices and the pass-through effects of exchange rate depreciation. These factors were further compounded by strong fiscal dominance and central bank deficit financing.

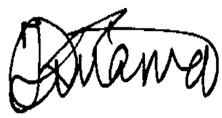
On the domestic front, growth outturn improved to 5.7 per cent, markedly higher than the 3.1 per cent recorded in the previous year. The better-than-expected outturn for GDP growth during the year was primarily driven by strong growth in the industry and services sectors. Non-oil GDP growth was also strong recording an outturn of 6.0 per cent compared to 3.6 per cent in the previous year.

Headline inflation at end-December 2024 stood at 23.8 per cent compared to 23.2 per cent at end-December 2023. During the year, headline inflation remained elevated, relative to the medium-term target, largely due to exchange rate and food price pressures.

The financial system, as a whole, remained resilient. A strong rebound in banking industry profitability and capital positions contributed to sustaining the resilience of the financial system to shocks, including the Eurobond restructuring in late 2024. The share of the insurance and securities industries' assets to total financial system assets remained stable, while the pensions industry's assets to total financial system assets increased marginally, partly due to improved contribution and stronger investment returns. In the outlook, the stability of the financial system remains positive.

To consolidate the gains in 2024, financial sector regulators will continue to collaborate under the auspices of the FSC to foster policy coordination among member institutions to promote financial system stability.

I wish to thank all Council members, the Technical Committee, and the Working Group members for their contributions to the 2024 Financial Stability Review and for their dedication to attaining the FSC's goals. I also thank the FSC Secretariat for its effective coordination of the FSC's activities.



Dr. Johnson P. Asiama
Chairman of the Council

The Financial Stability Council

Structure of the Financial Stability Council

The FSC includes the Bank of Ghana (BoG), Securities and Exchange Commission (SEC), National Insurance Commission (NIC), National Pensions Regulatory Authority (NPRA), Ministry of Finance (MoF), and Ghana Deposit Protection Corporation (GDPC). This inter-agency consultative body is tasked with enhancing and maintaining the financial sector's stability.

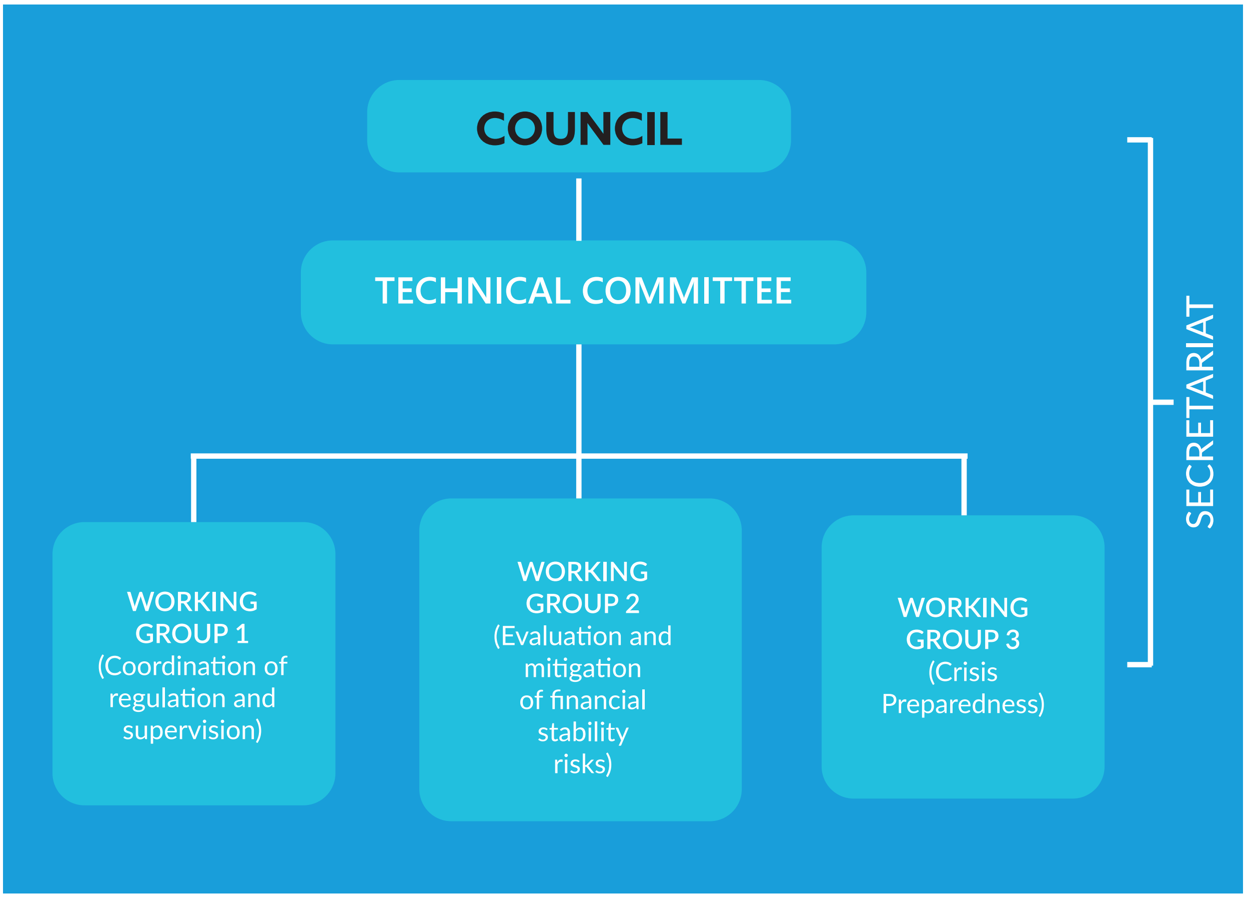
The FSC's work programme is organised around three key pillars, out of which respective working groups have been established:

Pillar I: The coordination of regulation and supervision at the micro-level pillar focuses on matters of common concern for the various financial regulators involved in the regulation and supervision of financial entities in Ghana (Working Group 1).

Pillar II: The evaluation and mitigation of financial stability risks pillar focuses on the timely detection and mitigation of risks to the stability of Ghana's financial system at the macro level (Working Group 2).

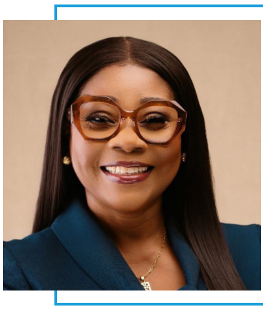
Pillar III: The crisis preparedness pillar focuses on assessing the adequacy of the legal and regulatory framework for resolution, the role of deposit insurance and fiscal backstops, procedures, and training on crisis preparedness, and crisis simulation exercises (Working Group 3).

The Working Groups report to the FSC's Technical Committee (TC), which oversees the development of their work programmes per the priorities established by the High-Level Council. The High-Level Council is composed of the Governor of the BoG, who serves as the Chairperson, the Deputy Governor of the BoG responsible for financial stability, the Deputy Minister of Finance, the Director General of the SEC, the Commissioner of the NIC, and the Chief Executive Officers of the NPRA and the GDPC. The activities and the work programme of the FSC are coordinated by its Secretariat.



Members of the Financial Stability Council, 2025

Dr. Johnson P. Asiama
Governor, BoG (Chairman)



Mrs. Matilda Asante-Asiedu
Second Deputy Governor, BoG

Hon. Thomas Nyarko Ampem
Deputy Minister of Finance, MoF

Dr. Abiba Zakariah
Commissioner, NIC

Hon. Dr. James Klutse Avedzi
Director-General, SEC

Mr. Christopher Boadi-Mensah
Chief Executive Officer, NPRA

Mr. Galahad Alex Andoh
Chief Executive Officer, GDPC

Technical Committee Members

Mr. Paul Ababio, SEC (Chair)
Dr. Jacob B. Aidoo, SEC
Mr. Andrew Ameckson, MoF
Mr. Seth Nana Amoako, FIC
Mrs. Lucy Abebrese, FIC
Mrs. Esther Armah, NIC
Mrs. Stella Jonah, NIC
Mr. David Tetteh-Amey Abbey, NPRA
Mr. Hayford Amankwah, NPRA
Mr. Osei Gyasi, BoG
Dr. Kwasi Osei-Yeboah, BoG
Mr. Clarence Blay, BoG
Mr. Yaw Sapong, BoG
Mr. Wonder Adetor, MoF
Mr. Emmanuel Asare, GDPC
Mr. Kwesi Attobrah, GDPC

Working Group Commitee Members

Working Group 1

Mr. Owusu Ankoma BoG (Chair)
Mr. Nana Osei Agyeman, NPRA
Mr. Mohammed Hafiz Issahaku, NIC
Ms. Evelyn Essien, SEC
Mr. Seidu Issifu, BoG
Mrs. Adeline Ocran, BoG
Mr. Robert Duodu, BoG

Working Group 2

Mr. Emmanuel Mensah-Appiah SEC (Chair)
Mrs. Adela Pokuah Baniako, GDPC
Mr. Maxwell Anim Frimpong, NIC
Ms. Gifty Alale, NPRA
Mr. Alexander Frempong, BoG
Mr. Prosper Awuni, MoF
Mr. Emmanuel Ansu-Gyeabour, BoG
Ms. Doreen Asare, BoG

Working Group 3

Mrs. Patience Arko-Boham MoF (Chair)
Ms. Rita Apau, NIC
Mr. Caliis Nii Oman Badoo, SEC
Mr. Mawuko Kofi Gbekor, BoG
Mr. Travis Fordjour, NPRA
Mr. John Sika, GDPC
Ms. Sheila Gockel, BoG

Secretariat

Dr. Kwasi Osei-Yeboah (Head)
Dr. John Kwame Dadzie
Dr. Emmanuel Owusu-Afriyie
Mr. Gershon Kojo P. Incoom
Mr. Mawuli Kwaku Woanyah
Ms. Eugenia Otchere
Mr. Robert Otoo Duodu
Ms. Sheila E. D. Gockel
Mr. Felix Abroquah Besseah
Mr. Richardson Yeboah Arthur
Ms. Doreen Asare
Mr. Emmanuel O. Ansu-Gyeabour
Mr. Abdul Wahab Amadu
Mr. Kwadwo Gyima-Larbi

Executive Summary

Global economic growth remained robust in 2024, with world output growing by 3.3 percent, largely driven by a strong pick up in economic activities in US and China. Growth is forecasted to reduce to 2.8 per cent in 2025 subject to downside risks from trade tensions and geopolitical risks. Global inflation eased, partly reflecting falling commodity prices and tight monetary policy stance in many economies. Headline inflation is expected to decline to 4.3 per cent in 2025 as demand cools and labour markets ease. Global macro-financial stability risks improved in 2024, reflecting robust global growth, decline in global inflation, improved financial conditions and subdued financial market volatility. To mitigate financial stability risks in the outlook, Central Banks must remain committed to steering inflation towards targets, with monetary policy rates kept tighter for longer.

Sub-Saharan Africa's (SSA) economic growth remained strong in 2024, with a real GDP growth of 4.0 per cent in 2024, higher than the 3.6 per cent recorded in 2023. This was mainly aided by increased public investment, strong commodity exports, and efforts to diversify economies. Within the region, median inflation declined to 4.5 per cent in 2024 from 7 percent. Broadly, tighter monetary policies have helped reduce median inflation in SSA from its post-COVID high in early 2023, aided by declining global food and energy prices, which make up a large part of household spending in the region. Financial stability risks in SSA could be impacted by global trade disruptions, climate-related financial risks and debt service challenges as sovereign debt levels continue to surge.

Domestically, real GDP growth rebounded in 2024, exceeding initial expectations. Real GDP grew by 5.7 per cent in 2024, compared to the 3.1 per cent recorded in 2023. The current account surplus also improved, partly due to a higher trade account surplus. This outturn, alongside inflows from the IMFs Extended Credit Facility programme, among others, supported the overall Balance of Payments (BOP) position, which recorded a surplus during the year. On account of the positive performance of the external sector, exchange rate performance was relatively better. Meanwhile, headline inflation was somewhat stable, though average inflation eased.

Total assets of banks grew significantly in 2024, mainly funded by a consistent growth in deposits over the period. The overall soundness of the banking industry remained robust, supported by strong profitability and capital level amidst adequate liquidity and enhanced efficiency. The main risks to the banking industry's soundness remains the elevated Non-Performing Loans (NPLs) and undercapitalisation of a few institutions. These risks are expected to moderate on the back of recapitalisation, sustained macroeconomic recovery, and enhanced risk management practices of banks.

On insurance, the period under review was marked by shifts in financial reporting, prudential oversight, and regulatory transformation. Profitability within Ghana's insurance industry remains robust, through stronger investment income and improved underwriting performance. The profit outturn was a positive signal for financial stability, as it contributed to the expansion of equity base and solvency. The National Insurance Commission (NIC) continued to foster a robust insurance industry capable of promoting public confidence, safeguarding policyholder interests, and reinforcing its contribution to national economic development. The ongoing implementation of International Financial Reporting Standards (IFRS) 17 (Insurance Contracts), a global accounting standard, and the development of a Risk-Based Capital (RBC) framework are expected to underpin the growth and soundness of the sector going forward.

The performance of the securities industry remained strong in 2024. The stock market recorded its highest returns in over a decade, driven by improved investor sentiments and strengthening macroeconomic conditions. In the fixed income market, trading activities remained vibrant, supported by a relative increase in liquidity, as the Ghana Fixed Income Market (GFIM) rebounded. Investors have however largely favoured short-term securities, reflecting the effects of the Domestic Debt Exchange Programme (DDEP) on the bond market. The strong performance of both equity and fixed income markets boosted confidence. This optimism translated into growth in Assets Under Management (AUM), highlighting the industry's resilience and long-term potential.

The pensions industry exhibited robust growth in 2024, with pension fund assets reaching GH₵86.23 billion in 2024 representing a growth of 39.5 per cent. The growth is primarily attributed to enhanced enforcement against employers defaulting on mandatory pension contributions, increased enrolment and contributions, and partial government redemption of contribution arrears. Contributing to the industry's growth were favourable returns on investments during the review period and the continued expansion of private pension schemes. Private pension funds, comprising Tier 2 and Tier 3, witnessed a 37.4 per cent increase in AUM, totalling GH₵63.88 billion.

Overall, macro-financial risks were contained and financial stability risks reduced with sustained recovery in the performance of the financial sector. Growth momentum in the financial sector's asset size improved during the year with assets reaching GH₵525.59 billion in 2024 from GH₵390.17 billion. Total financial sector assets at end December 2024 constituted 45.2 per cent of GDP.

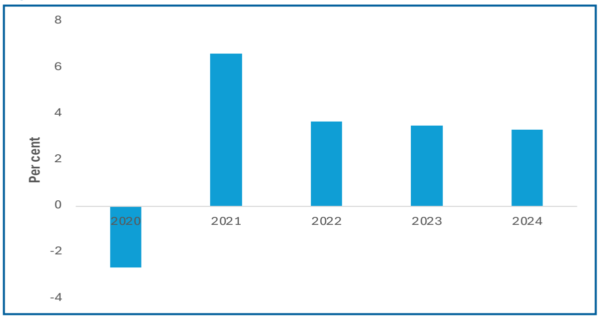
During the year, all financial sector regulators undertook key regulatory initiatives aimed at strengthening the resilience of the financial system. Emerging risks were proactively identified, with targeted policies developed and implemented to mitigate their impact and support overall financial stability.

CHAPTER ONE
Macro-Financial Developments

1.1 Global Macroeconomic Developments

Global economic growth remained robust in 2024. The growth outturn of 3.3 percent, compared to 3.5 per cent in 2023, largely reflected a strong pick up in economic activities in US and China**.** Despite the strong outturn, global growth is forecasted to reduce to 2.8 per cent in 2025. The expected slowdown in global growth for 2025 reflects intensifying downside risks due to ongoing trade tensions and geopolitical risks, which could weigh on global economic activity (World Economic Outlook (WEO), April 2025).

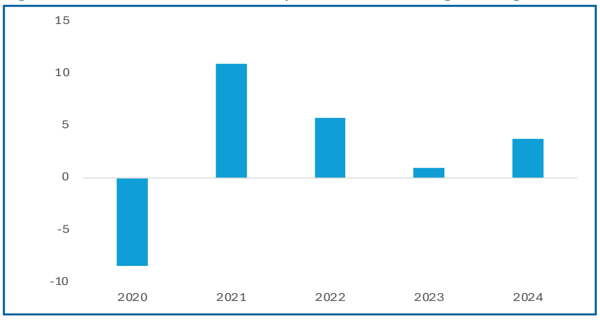
Figure 1.1: Global Growth



Source: International Monetary Fund, World Economic Outlook, April 2025

Global trade growth rebounded in 2024. World trade increased by 3.8 per cent following a sluggish expansion in 2023. The recovery was primarily driven by improved trade in goods and services. In the outlook however, global trade growth is expected to average 1.7 per cent in 2025 (WEO, April 2025). The decline is expected on the back of increased uncertainty, partially attributable to global tariff revisions.

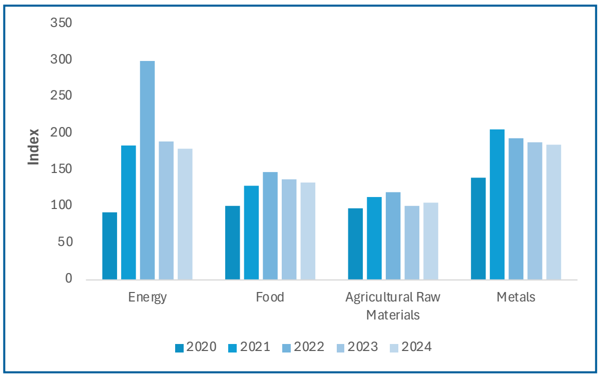
Figure 1.2: Global Trade Growth (by Volume, Percentage Change)



Source: International Monetary Fund, World Economic Outlook, April 2025

Commodity prices broadly edged down. In 2024, the price indices of fuel, food and metals declined by 5.3 per cent, 3.1 per cent, and 1.9 per cent, respectively. The decline in prices of these key commodities was driven by improving supply conditions. The agricultural raw materials price index, however, which includes commodities such as timber, cotton, wool, and rubber, increased by 4.3 per cent.

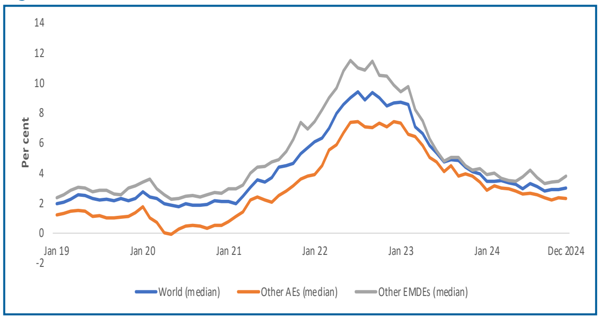
Figure 1.3: Commodity Prices



Source: International Monetary Fund, World Economic Outlook, April 2025

Global inflation eased, partly reflecting falling commodity prices and the lagged effects of monetary tightening. In many advanced economies, year-on-year inflation fell below target as fuel prices declined through 2024 and food prices stabilized. In Emerging Markets and Developing Economies (EMDEs), headline inflation continued to decline, coming within a percentage point of pre-pandemic levels by late 2024, despite briefly edging up in some economies in the second half of 2024. The disinflation process was broadly supported by a tight monetary policy stance in many economies. Headline inflation is expected to decline to 4.3 per cent in 2025 as demand cools and labour markets ease, and as a result of an expected further decline in energy commodity prices.

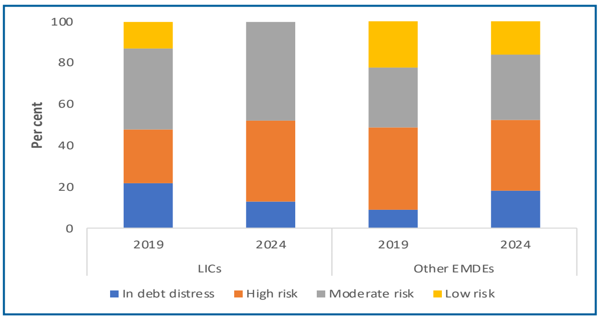
Figure 1.4: Global Inflation



Source: International Monetary Fund, World Economic Outlook, April 2025

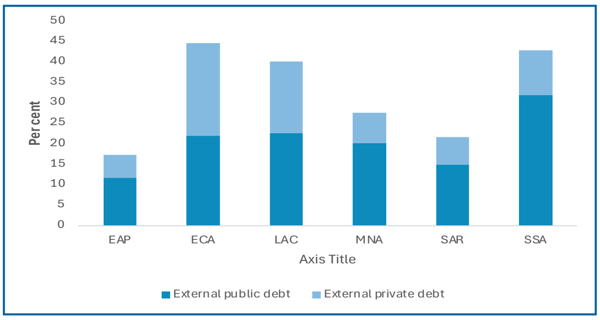
Sovereign debt levels have soared, raising concerns about debt sustainability in many developing economies. Fiscal space has narrowed since the mid-2010s, with half of Low-Income Countries (LICs) in or at high risk of debt distress in 2024. Growing debt-service burden continues to pose considerable headwinds to economic activity in countries with elevated financial vulnerabilities, particularly in many LICs. Among middle-income countries with weak credit ratings, sovereign spreads normalized substantially in the year under review, although borrowing costs remain high.

Fig. 1.5: Risks of Debt Distress in LICs and EMDEs



Source: World Bank Global Economic Prospects, January 2025

Fig. 1.6: Indebtedness across Regions



Source: World Bank Global Economic Prospects, January 2025

Global supply chain disruptions further declined in 2024. The pandemic's disruption to supply chains has largely waned, with shipping prices and supplier delivery times returning to pre-pandemic levels. The normalization of supply chains has further contributed to the fall in headline inflation in many countries.

1.2 Developments in Global Financial Stability Risks

Global macro-financial stability risks declined in 2024, alongside declines in global inflation. Global economic activity was stable, while financial conditions remained broadly supportive. Financial market volatility remained subdued, while emerging market economies demonstrated resilience by maintaining proactive policy measures that helped mitigate the series of shocks experienced since the onset of the COVID-19 pandemic. Soundness indicators for most financial institutions indicated continued resilience. The global banking sector remained resilient, with ample capital and liquidity buffers. Although non-performing loan ratios increased for some forms of lending, such as consumer credit cards, automobile loans, and commercial real estate, overall asset quality did not deteriorate significantly.

Sentiments in commercial real estate showed signs of stabilization, amidst headwinds. While stability risks from residential real estate appeared largely contained across most countries, the commercial real estate sector continued to face significant pressures. Misalignments between property prices and underlying fundamentals suggested further market corrections, especially in the affected segment. These ongoing challenges kept banks with substantial real estate exposure under close watch. Although most banks seemed to have sufficient loan loss reserves and capital buffers to absorb potential losses, those heavily concentrated in the commercial sector remained vulnerable.

Global corporate bonds rallied with spreads narrowing below long-term averages. Despite mounting signs of credit deterioration, corporate bonds continued to trade within tight spreads by historical standards, leading to pricing misalignments that are indicative of higher risks that could result from an abrupt repricing of credit risk.

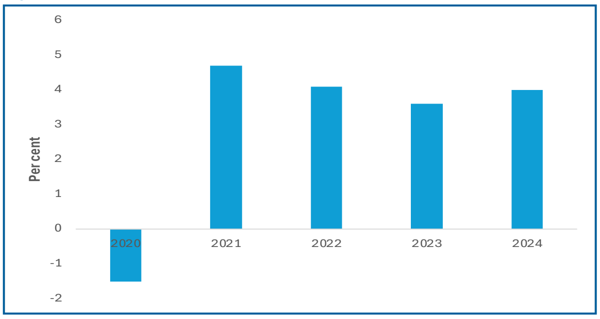
High and rapid growth in sovereign debt levels could increase volatility in bond markets. Many high-debt economies failed to achieve their longer-term debt-stabilizing primary balances. In many advanced economies, increasingly large shares of issuances of government debt will need to be absorbed by price-sensitive buyers amid ongoing quantitative tightening by their central banks, potentially increasing bond market volatility. Emerging markets and frontier economies with weak and worsening fiscal buffers saw their sovereign bond and credit default swap spreads increase relative to other jurisdictions, which made debt servicing more challenging.

To mitigate financial stability risks in the outlook, Central Banks must remain committed to steering inflation towards targets. This may require that Central Banks keep their monetary policy rates tighter for longer until there is tangible evidence of inflation moving sustainably toward targets. The stance of monetary policy should reflect a country-specific pace of economic recovery and disinflationary processes. Also, continued vigilance is warranted in monitoring vulnerabilities in the real estate sector to minimize potential risks to bank and non-bank lenders.

1.3 Macroeconomic Developments in Sub-Saharan Africa

Regional growth remained strong in 2024. Real GDP growth in the region reached 4 per cent in 2024, higher than the 3.6 per cent recorded in 2023. This improvement was mainly fueled by increased public investment, strong commodity exports, and efforts to diversify economies. High-frequency data indicated a broad strengthening of economic activity across sub-Saharan Africa, with average growth surpassing 4 per cent in the last quarter of 2024. However, growth remained modest in resource-dependent nations, particularly oil exporters including Nigeria, which grew by 3.4 per cent in 2024.

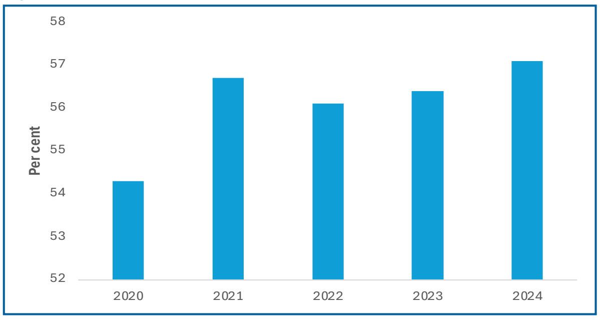
Figure 1.7: SSA Real GDP Growth



Source: International Monetary Fund, Sub-Saharan Africa, Regional Economic Outlook, April 2025

The median debt-to-GDP ratio in SSA stayed below 60 per cent in 2024. Due to a reduction in primary deficits, the average public debt has stabilized and is beginning to decrease as a percentage of GDP. In many countries within the region, primary balances are now lower than pre-pandemic levels, with the median balance improving by 0.5 per cent of GDP in 2024. This has resulted in a cumulative fiscal consolidation of approximately 2 percentage points between 2022 and 2024. While debt remains high and vulnerabilities persist, the median debt-to-GDP ratio stayed below 60 per cent in 2024. Fiscal adjustment efforts are expected to continue in 2025, driven by the ongoing need to strengthen financial buffers and reduce debt.

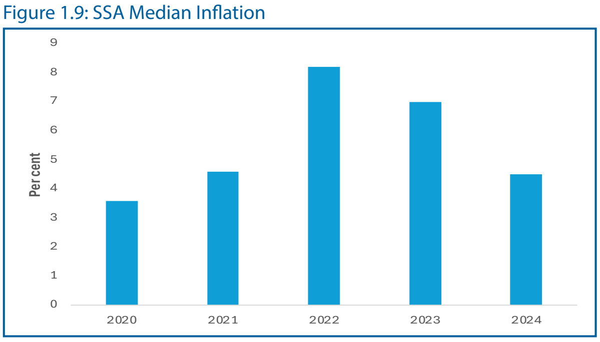
Figure 1.8: Median SSA Government Debt (Per cent of GDP)



Source: International Monetary Fund, Sub-Saharan Africa, Regional Economic Outlook, April 2025

Median inflation in SSA declined from 7 per cent at end 2023 to 4.5 per cent at end 2024. Tighter monetary policies have helped reduce inflation in SSA from its post-COVID high in early 2023, aided by declining global food and energy prices, which make up a large part of household spending in the region. By December 2024, the region's median headline inflation had fallen to around 4.5 per cent year-on-year, from 7 per cent at the end of 2023 and 8.2 per cent at the close of 2022.

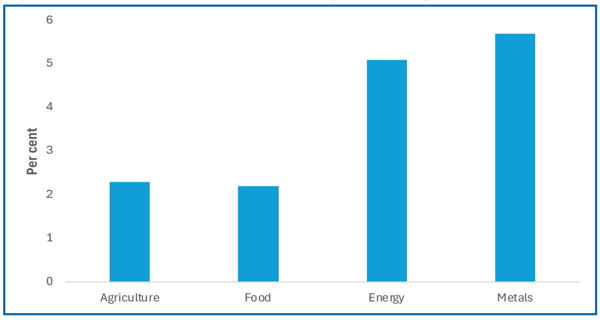
Figure 1.9: SSA Median Inflation



Source: International Monetary Fund, Sub-Saharan Africa, Regional Economic Outlook, April 2025

In 2024, higher prices for key export commodities like gold, cocoa, and coffee, improved terms of trade. Primary exporters of gold, cocoa and coffee benefited significantly from rising export prices. Trade activity, particularly for exports, picked up within the region, while remittances remained strong. These favourable trends, combined with efforts to reduce fiscal deficits, eased exchange rate pressures and helped increase foreign reserves. By end-2024, about two-thirds of countries within the region had reserves covering more than three months of imports. In some nations, reduced political uncertainty following elections also contributed to currency stability.

Figure 1.10: Shares of Global Commodity Exports by SSA



Source: International Monetary Fund, Sub-Saharan Africa, Regional Economic Outlook, April 2025 and World Bank Global Economic Prospects, January 2025

1.4 Financial Stability Risks in Sub-Saharan Africa

Financial markets in SSA could be impacted by debt service challenges as sovereign debt levels continue to surge. Many countries in the region are still grappling with high sovereign debt levels, with over half of the region's nations facing unsustainable debt burdens. For instance, in 2023, governments allocated more than 45 per cent of their revenues to debt repayments, up from 31 per cent in 2022. The high levels of sovereign debt remain a challenge, with many jurisdictions failing to achieve programmed longer-term debt-stabilizing primary balances. SSA economies with worsening fiscal buffers have seen their sovereign bond and credit default swap spreads increasing, making debt servicing more challenging. On the back of these developments, the Financial Stability Board (FSB) Regional Consultative Group (RCG) for SSA has raised concerns over the increased exposure of banks to sovereign debt, particularly in countries with elevated debt levels.

Global trade disruptions could pose significant challenges to financial stability in Africa. The African Development Bank (AfDB) has revised its 2025 economic growth forecast for Africa downward to 3.9%, primarily due to global trade uncertainties stemming from new U.S. trade tariffs and retaliatory measures by other nations. These developments have led to declining commodity prices and weakened financial assets, impacting African economies despite robust expansion in some countries. This development poses significant financial stability risks by increasing uncertainties, exchange rate volatilities, and potential losses for businesses and financial institutions.

Climate-related financial risks remain a challenge to African economies. Climate change is exacerbating food insecurity in the region. Adverse weather events such as floods and droughts are causing substantial economic disruptions, especially in agriculture-reliant nations. Climate-related risks and rising food prices can affect financial institutions through increased risk premia across various assets, including credit, amplified credit risks, and challenges for financial risk management. This can lead to a reduction in lending and insurance provision, impacting financial system resilience.

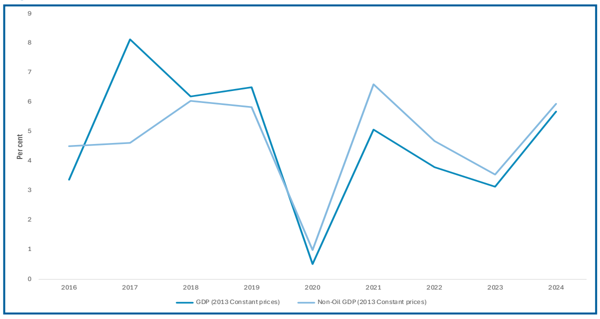
These financial stability risks underscore the multifaceted challenges facing Sub-Saharan Africa in 2025. Addressing these issues requires coordinated efforts at the national, regional, and international levels to promote fiscal sustainability, enhance financial sector resilience, and mitigate the impacts of climate change and political instability.

In response to economic pressures, regulatory changes are being implemented to enhance the stability of the banking sector. For instance, in Nigeria, banks would be required to hold higher minimum capital by end of 2026, and the West African Economic and Monetary Union (WAEMU) is set to double capital requirements over the next three years. These measures aim to bolster capital buffers, though they may pose challenges for smaller financial institutions. Additionally, in light of the risks building up within the region, the FSB RCG SSA has undertaken a number of steps. Specifically, the group is focused on strengthening financial stability in the region by advancing reforms for effective bank resolution, enhancing the resilience of non-bank financial institutions, and supporting improvements in cross-border payments. Furthermore, the group is also prioritizing the safe adoption of digital innovations like crypto-assets and AI, bolstering cyber resilience, and addressing climate-related financial risks. These policies aim to promote a stable, inclusive, and resilient financial system within SSA that can support sustainable growth and withstand emerging global and regional challenges.

1.5 Domestic Macroeconomic Developments

Real GDP growth rebounded in 2024, exceeding initial expectation. Real GDP grew by 5.7 per cent in 2024, compared to the 3.1 per cent recorded in 2023. This performance also marks a recovery in growth above the programmed target of 4.0 per cent, but below pre-COVID growth levels. Similarly, non-oil GDP growth increased to 6.0 per cent, up from the 3.6 per cent recorded in 2023. The strong growth performance in 2024 was driven by a pick up in activities in the industry and services sectors. The rebound in growth is expected to shape consumer confidence, boost performance in the household and corporate sectors, and improve debt-servicing capacity over the medium-term.

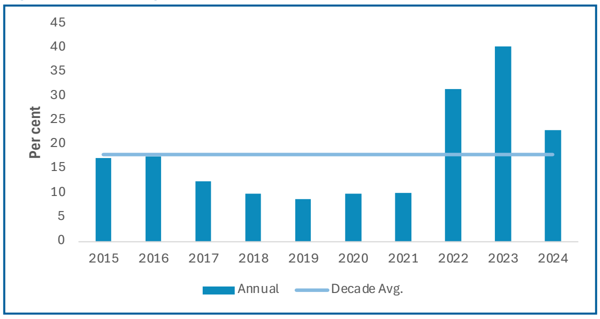
Figure 1.11: Domestic Output



Source: Ghana Statistical Service and Bank of Ghana

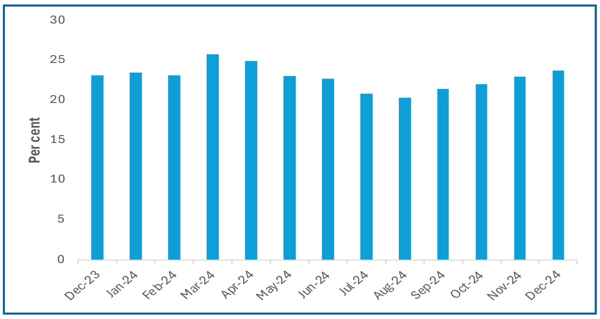
Inflation generally eased on average, but remained relatively high in 2024. Average annual inflation declined to 22.9 per cent in 2024, compared to the 40.3 per cent average inflation recorded in 2023 but above its decade average of 18.0 per cent, reflecting the effects of a relatively better exchange rate performance, tight monetary policy stance and fiscal consolidation measures of government. However, headline inflation increased marginally from 23.2 per cent in December 2023 to 23.8 per cent in December 2024, higher than end-year expected target of 15 per cent. The elevated inflation in 2024, was mainly on the back of food price pressures. Supply chain bottlenecks and climatic factors, including the dry spell in most parts of the country as well as the late onset of rains, negatively affected food production. While the 2024 inflation outturn deviated from the target, it is expected that the disinflation process will resume, however, dependent on renewed efforts of fiscal consolidation from the government.

Figure 1.12: Average Annual Inflation



Source: Ghana Statistical Service

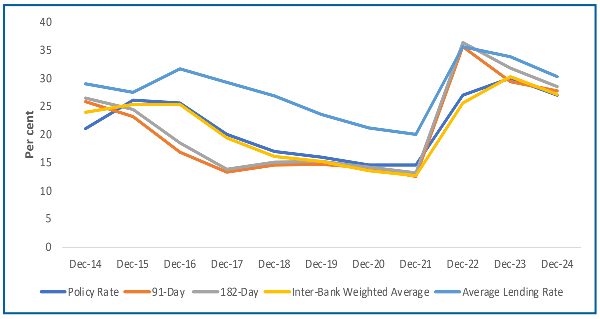
Figure 1.13: Inflation Developments in 2024



Source: Ghana Statistical Service

Interest rates on money market instruments trended generally downwards across the various maturity profiles in 2024. Rates on the 91-day, 182-day, and 364-day Treasury bills decreased to 27.73 per cent, 28.43 per cent, and 29.95 per cent respectively in 2024 from 29.39 per cent, 31.7 per cent, and 32.97 per cent recorded in 2023. Similarly, the average lending and the interbank lending rates decreased to 30.25 per cent and 27.03 per cent in 2024 from 33.75 per cent and 30.19 per cent respectively, in 2023.

Figure 1.14: Selected Interest Rates

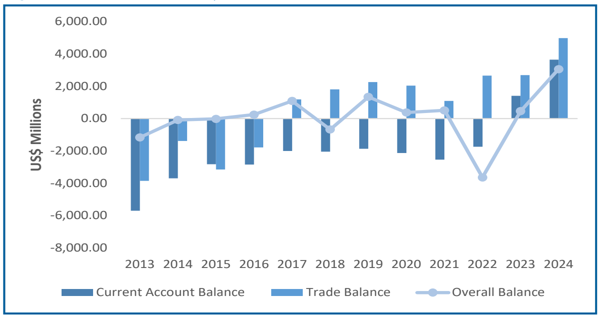


Source: Bank of Ghana

The current account surplus improved significantly in 2024, partly due to a higher trade account surplus. The trade balance recorded a higher surplus of US$5.10 billion in 2024, 89.3 per cent higher than the surplus of US$2.69 billion recorded in 2023. The increase in the trade surplus was largely driven by a greater increase in export earnings relative to imports. Total merchandise exports increased by 22.7 per cent to US$20.49 billion in 2024 on account of higher receipts in gold proceeds, crude oil, and timber exports. However, in 2024, earnings from cocoa declined to US$1.94 billion in 2024, from US$2.15 billion in 2023. On the other hand, total merchandise imports increased to US$15.39 billion in 2024 from US$ 14.01 billion in 2023, on account of increases in both oil and gas, and non-oil imports. The developments in the trade balance improved the current account surplus to US$3.65 billion (4.4% of GDP) in 2024, from the surplus of US$1.41 billion in 2023.

The overall Balance of Payments (BOP) account improved significantly in 2024. The BOP account recorded an overall surplus of US$3.06 billion in 2024 compared to a surplus of US$518.40 million in 2023. The strong improvement in the BOP account was supported by a strong current account surplus and reduction in net financial outflows. However, the renewal of debt servicing obligations post-debt restructuring is expected to somewhat impact the BOP account.

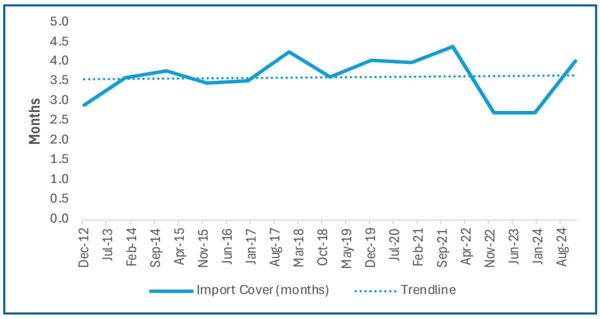
Figure 1.15: Balance of Payment Statistics



Source: Bank of Ghana

In line with the improvement in the BOP, Gross International Reserves (GIR) improved significantly in the review period. GIR increased to US$9.0 billion in December 2024 from US$5.9 billion in December 2023. This provided 4.0 months of import cover in December 2024, as against the 2.7 months of import cover in December 2023.

Figure 1.16: Reserves in Months of Import Cover



Source: Bank of Ghana

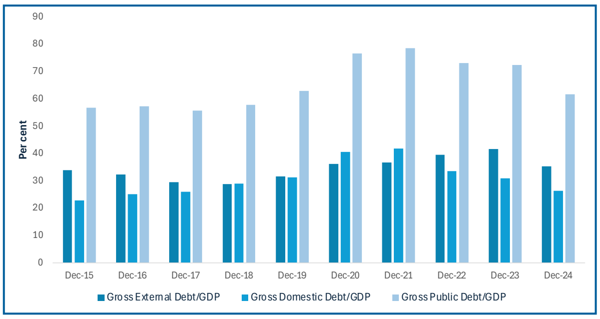
Exchange rate performance improved in 2024, relative to the previous year. Cumulatively, the Ghana Cedi depreciated by 19.18 per cent, 17.76 per cent, and 13.72 per cent in 2024 against the US Dollar, British Pound, and Euro, as compared to the 27.81 per cent, 31.86 per cent, and 30.33 per cent depreciation recorded respectively during the previous year. The slower depreciation of the domestic currency reflects tight liquidity management, improved trade balance and, the gold for reserves programme.

Figure 1.17: Y-o-Y Depreciation Rate (%)

Source: Bank of Ghana

Public debt declined in 2024. Supported by the Eurobond debt restructuring, the public debt to GDP ratio reduced significantly to 61.8 per cent in 2024, from 68.7 per cent in 2023. Of the total debt stock, domestic debt constituted GH¢309.8 billion (26.3% of GDP), while external debt constituted GH¢416.8 billion (35.4% of GDP). Overall fiscal balance, on commitment basis, showed a deficit of GH¢92.6 billion (7.9% of GDP) against the target of GH¢42.5 billion (4.2% of GDP). The corresponding primary balance also showed a deficit of GH¢45.9 billion (3.9% of GDP) against a surplus target of GH¢5.5 billion (0.5% of GDP).

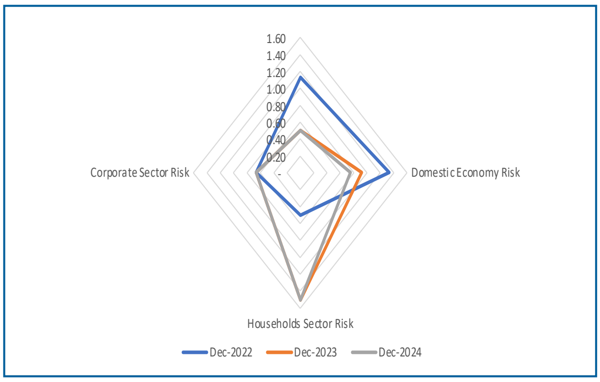
Figure 1.18: Stock of Public Debt



Source: Ministry of Finance and Bank of Ghana

Macro-financial risks were largely contained in 2024, albeit with some concerns on households' debt servicing capacity. As shown in the Cobweb diagram in Figure 1.19, risks from the global macroeconomic environment remained contained on account of strong global growth, amid moderating inflation. Generally, risks from the domestic macroeconomy to the financial system moderated in 2024 on the back of robust growth and improved reserves. Though stable, risks remained high in the corporate and household sectors, largely due to the lagged effects of the DDEP and the macroeconomic challenges. This resulted in weak asset quality of the banking sector, although the impact on the industry was moderated by improved solvency, liquidity, and profitability.

Figure 1.19: Ghana: Cobweb Diagram, December 2022-2024



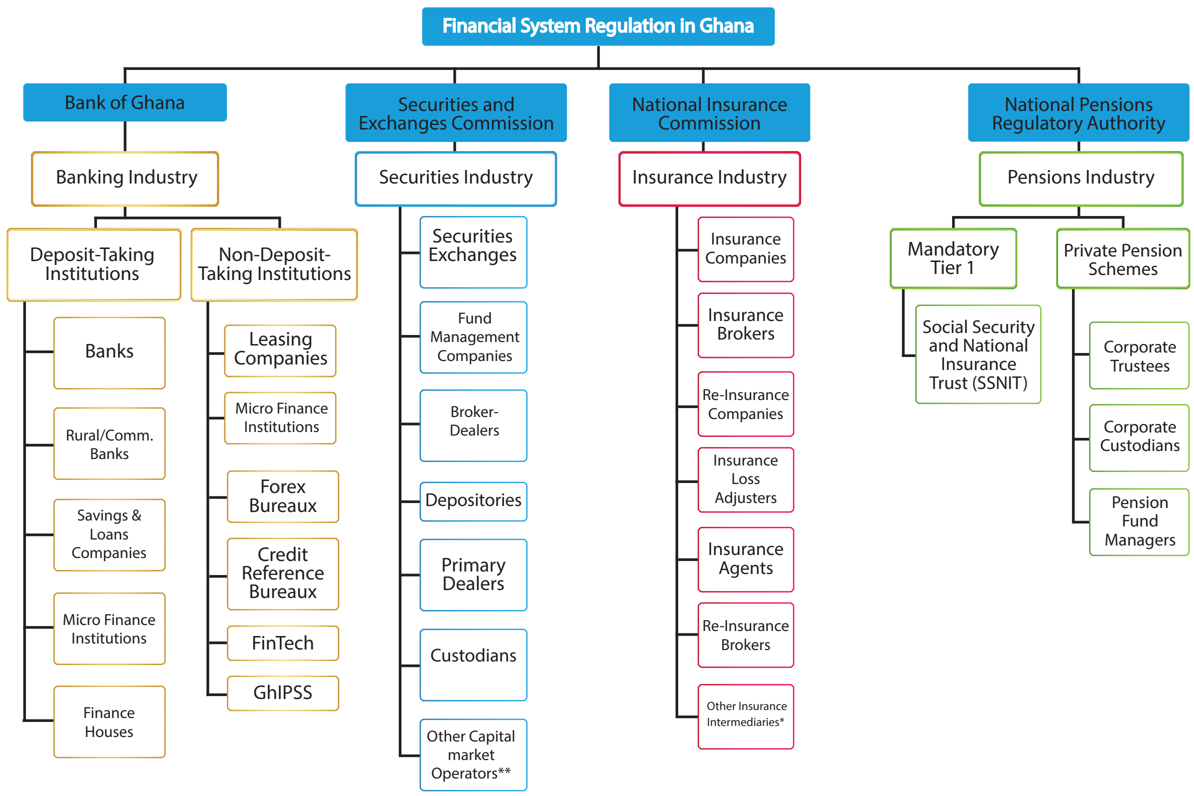
Source: Bank of Ghana
Note: Movement away from the origin indicates heightened risks.

CHAPTER TWO
Developments in Ghana's Financial System

2.1 The Financial System in Ghana

The financial system of Ghana is regulated and supervised by four distinct regulatory authorities. These regulatory authorities are the BoG, the NPRA, the SEC, and the NIC. The banking industry is regulated by the BoG, while the pensions, securities, and insurance industries are regulated by the NPRA, SEC, and NIC respectively.

Figure 2.1: Structure of the Financial System in Ghana



**Other Insurance Intermediaries include Insurance Loss Assessors, Technical Service Providers, etc.*
***Other Capital Market Operators include Mutual Funds, Unit Trusts, Investment Advisers, REITs, Crowdfunding, Note Trustees, Credit Rating Agencies etc.*

Source: Bank of Ghana

Growth momentum in total assets of the financial system improved in 2024, albeit financial sector deepening slowed. Total financial sector assets grew by 34.6 per cent to reach GH₵525.59 billion in 2024 from GH₵390.17 billion (28.4%) recorded in 2023. However, total financial sector assets constituted 45.2 per cent of GDP[1] in December 2024, marginally down from 46.4 per cent in December 2023, as outlined in Table 2.1.

The banking industry continued to dominate the financial system of Ghana, in terms of total assets. The banking industry accounted for 76.4 per cent of the sector's total assets as at end-December 2024, compared to a share of 76.3 per cent in 2023. The pensions sector's share improved to 16.4 per cent in 2024, from 15.8 per cent in 2023. The share of the securities and insurance industries' assets to the sector's total assets has been fairly stable over the past five years. In 2024, the share of the securities and insurance sectors' assets stood at 3.8 per cent and 3.4 per cent compared to 4.0 per cent and 3.9 per cent, respectively, in 2023.

[1] Based on the estimated GDP figure for 2024 as captured by the GSS statistical bulletin

Table 2.1: Assets of the Ghanaian Financial System

INSTITUTIONS	Dec-20	Dec-21	Dec-22	Dec-23	Dec-24
Banking Industry					
Total Assets (GH¢' M)	163,871	196,151	230,644	297,548	401,443
Growth Rate (%)	14.7	19.7	17.6	29.0	34.9
Asset/GDP (%)	41.8	42.5	37.5	35.4	34.5
Share of Financial System Assets (%)	76.8	75.3	75.9	76.3	76.4
Securities Industry					
Total Assets Under Management (excluding Pension Funds)- GH¢' M	8,322	14,767	14,367	15,722	20,006
Growth Rate-Assets Under Management (excluding Pension Funds)(%)	(19.8)	77.4	(2.7)	9.4	27.3
Total Assets Under Management (including Pension Funds)- GH¢' M	30,584	44,487	49,498	55,048	71,970
Total Assets (excluding Pension Funds) /GDP (%)	2.1	3.2	2.3	1.9	1.7
Share of Financial System Assets (%)	3.9	5.7	4.7	4.0	3.8
Insurance Industry					
Total Assets (GH¢' M)	7,693	9,951	12,236	15,103	17,913
o/w Life Insurance	4,521	5,807	6,693	8,479	10,370
Growth Rate of Total Asset (%)	17.6	29.3	23.0	23.4	18.6
Total Assets/GDP (%)	2.0	2.2	2.0	1.8	1.5
Share of Financial System Assets (%)	3.6	3.8	4.0	3.9	3.4
Pensions Industry					
Total Assets (GH¢' M)	33,460	39,563	46,611	61,795	86,226
o/w Public Pension Fund	11,440	11,544	12,106	15,295	22,350
Growth Rate of Total Asset (%)	27.2	18.2	17.8	32.6	39.5
Total Assets/GDP (%)	8.5	8.6	7.6	7.3	7.4
Share of Financial System Assets (%)	15.7	15.2	15.3	15.8	16.4
Financial System					
Total Assets (GH¢' M)	213,346	260,432	303,858	390,167	525,589
Growth Rate (%)	14.6	22.1	16.7	28.4	34.7
Total Assets/GDP (%)	54.4	56.4	49.5	46.4	45.2
GDP, Current (GH₵M)	391,941	461,695	614,336	841,633	1,162,680

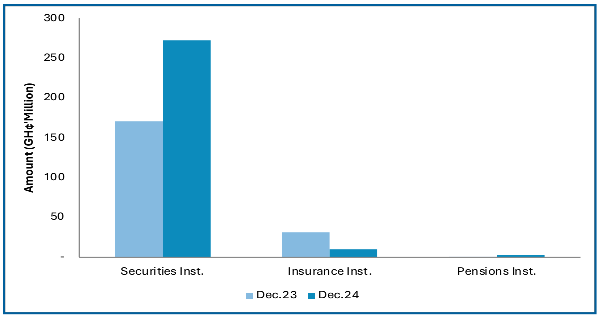
Source: Financial Sector Regulators

2.2 Interconnectedness of the Financial System

Banks' exposure to the financial system is heavily tilted towards the securities industry. Total exposure of banks to other financial institutions[2] was approximately GH₵286 million at end-December 2024, an increase from GH₵201.91 million recorded at end-December 2023. The exposures of banks to other financial institutions were in the form of loans and placements. As of end-December 2024, the exposure of banks to securities institutions, insurance companies and pensions institutions was GH₵272.73 million, GH₵10.38 million and GH₵2.90 million respectively. The distribution of banks' exposure suggests that distress in the securities industry will have the most adverse impact on banks.

[2] In this report, "other financial institutions" is defined as all other regulated financial institutions except banks.

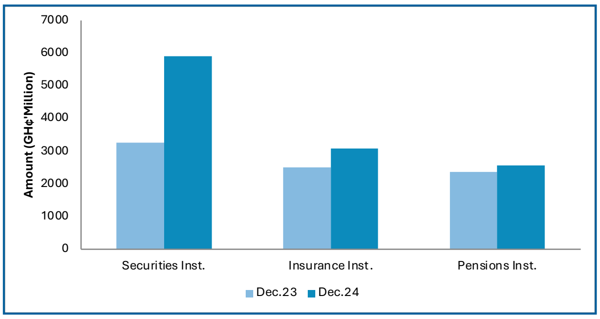
Figure 2:2 Banks' Exposure to Other Financial Institutions



Source: Bank of Ghana

Total exposure of other financial institutions to banks as at end-December 2024 was approximately GH₵11.56 billion, compared to the GH₵8.14 billion recorded at end-December 2023. The exposure of other financial institutions to banks were in the form of deposits and investments. The growth in other financial institutions' exposure to banks was mainly driven by an increase in exposure of the securities and insurance industries. The exposures of the securities industry increased by 81.4 per cent at end-December 2024. The securities institutions were the most exposed to banks (GH₵5.9 billion), followed by insurance companies (GH₵3.1 billion), and pensions institutions (GH₵2.6 billion) as at end-December 2024. These exposures suggest that distress within banks may adversely impact other financial institutions.

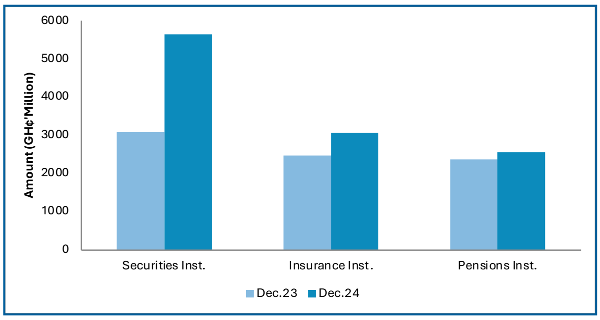
Figure 2.3: Other Financial Institutions' Exposure to Banks



Source: Bank of Ghana

As at end-December 2024, the exposure of other financial institutions to banks on a net claims basis was comparatively higher than banks' exposure to other financial institutions. On a net basis, other financial institutions have an excess of GH₵11.27 billion with banks as at end-December 2024 compared to GH₵7.94 billion at end-December 2023. The net exposure is disaggregated as follows: securities institutions (GH₵5.6 billion); insurance institutions (GH₵3.1 billion); and pensions institutions (GH₵2.6 billion).

Figure 2.4: Net Claims of Other Financial Institutions on Banks



Source: Bank of Ghana

CHAPTER THREE
Assessment of the Banking Industry

3.1 Performance of the Banking Industry

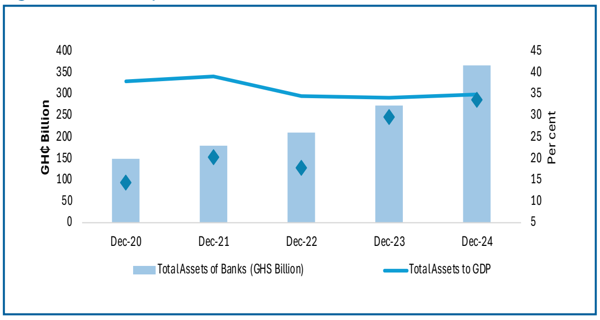
Introduction

The soundness of the banking industry remained strong, with a positive outlook. The soundness of the banking industry remained strong on account of fresh capital injection and significant decline in the build-up of new non-performing loans (NPLs) amid strong profitability, liquidity and cost-efficiency. Also, the pre-emptive actions by banks to provide for some impairment losses related to the Eurobond restructuring significantly moderated the impact of the Eurobond restructuring on solvency. Notwithstanding the moderation in the build-up of new NPLs, the high NPLs remained a concern to solvency. In this regard, the BoG continued to work closely with banks in the review year, to strengthen credit risk management. Additionally, the BoG issued several directives designed to complement regulation and mitigate risks related to climate change, large exposures and credit concentration, among others. In the near to medium term, staying the cause of improved macroeconomic prospects and enhanced supervisory compliance would provide the needed impetus for the continuous recovery in the banking sector and improve solvency conditions.

Assets Growth

Total assets of banks grew significantly in 2024. Total assets of banks stood at GH₵367.81 billion at end-December 2024, a year-on-year growth of 33.8 per cent from GH₵274.93 billion at end-December 2023. This significant growth was mainly financed by a 28.8 per cent growth in deposits over the period. In spite of the strong growth in total assets, banks' total assets to GDP remained relatively stable.

Figure 3.1: Development in Banks' Total Assets



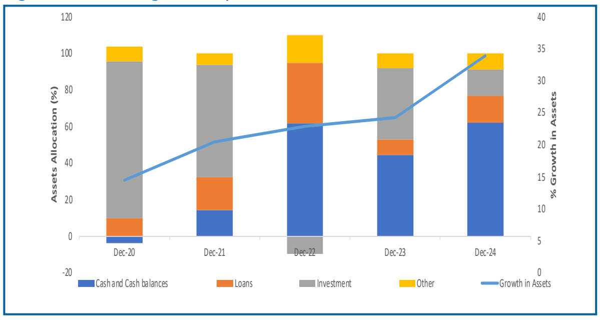
Source: Bank of Ghana

Banks cash and near cash balances grew significantly. Out of the 33.8 per cent growth in assets recorded in 2024, 62 per cent was in the form of cash and cash balances as compared to the 44.2 per cent recorded in 2023. The development partly reflects the Cedi depreciation, which increased the value of foreign cash deposits, and changes in the Cash Reserve Ratio (CRR), which was modified at the March 2024 Monetary Policy Committee round as follows:

i. CRR of 15 per cent for banks with a loan-to-deposit ratio above 55 per cent;
ii. CRR of 20 per cent for banks with a loan-to-deposit ratio between 40 per cent to 55 per cent; and
iii. Banks with loan-to-deposit ratio below 40 per cent are required to hold CRR of 25 per cent.

Allocation of new resources to credit improved. Banks allocated 14.9 per cent of new resources to credit in 2024 compared to 8.4 per cent in 2023. This improvement was in line with the recovery of the macroeconomy witnessed during the year. The upsurge in credit is expected to continue in 2025 as the macroeconomic recovery gains momentum.

Figure 3.2: Banking Industry Allocation of New Funds

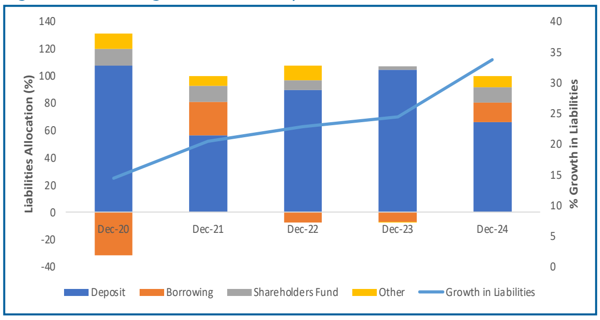


Source: Bank of Ghana

Funding for the Banking Industry

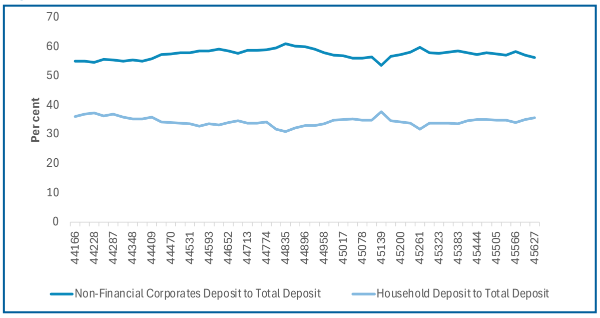
The banking industry remains highly reliant on deposits to fund assets. Deposits constituted 66.4 per cent of the funds mobilised in 2024 to finance the industry's assets. Deposits were mainly sourced from non-financial corporates and households, with the non-financial corporates contributing 56.42 percent as at end-December 2024. The share of household deposits to total deposits, which provides a reliable source of funding due to its diverse nature, increased to 35.8 per cent in 2024 from 31.8 per cent in 2023.

Figure 3.3: Funding Source of Newly Mobilised Funds



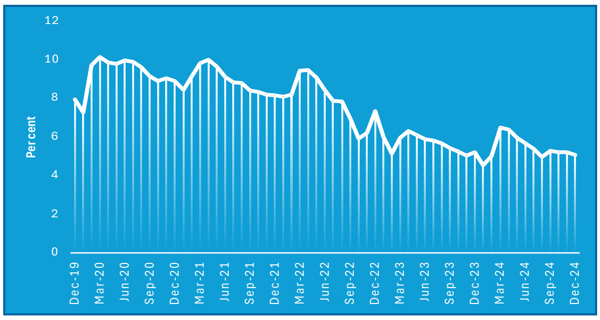
Source: Bank of Ghana

Figure 3.4: Sources of Deposit



Source: Bank of Ghana

Figure 3.6: Leverage Ratio

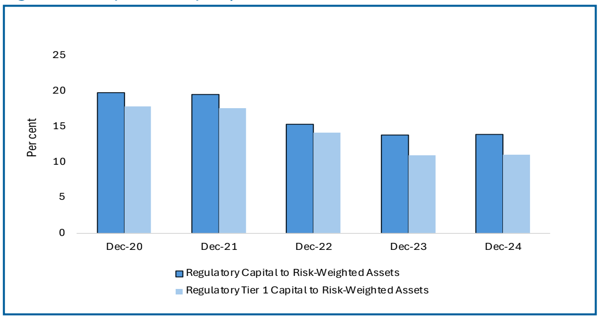


Source: Bank of Ghana

Solvency

The key capital indicators remained strong in 2024 following a decline in 2023. As at end-December 2024, CAR and Tier 1 CAR stood at 14 per cent and 11.1 per cent, respectively, compared with 13.9 per cent and 11 per cent recorded in 2023. The stability in solvency conditions, amid the external debt restructuring, reflected the sustained profitability of banks, concentration of new assets in less risky portfolios, and regulatory relief measures. Although CAR remains above the required threshold, high NPLs remain a key threat to solvency in the banking industry. Going forward, recapitalisation of undercapitalised banks, improvement in earnings, sound credit risk management, and favourable economic prospects are expected to improve the solvency conditions of banks.

Figure 3.5: Capital Adequacy



Source: Bank of Ghana

The banking industry's leverage remained stable in 2024. Increasing leverage is considered an indicator of vulnerability as it suggests that the banking sector may have lower buffers to withstand a shock. In the year under review, the leverage ratio, which is calculated as total banking industry regulatory Tier 1 Capital to total exposures (total assets plus off-balance sheets exposures), remained broadly stable at 5.1 per cent at end-December 2024, as compared to 5.2 per cent as at end-December 2023. The leverage ratio remained above the regulatory minimum of 4.5 per cent.

Asset Quality

The banking industry's asset quality remained a challenge. The NPLs ratio increased from 16.6 per cent in December 2022 to 20.58 per cent in December 2023 and further to 21.8 per cent in December 2024. The increase was largely driven by the lagged effects of past macroeconomic challenges, specifically some lingering effects of the 2022 Domestic Debt Exchange Programme (DDEP). The NPLs of the industry are somewhat concentrated, with services, commerce & finance, transport & storage & communication, and construction sectors accounting for 75.2 per cent of the NPLs recorded in 2024.

Table 3.1: Sectoral Contributions to NPLs

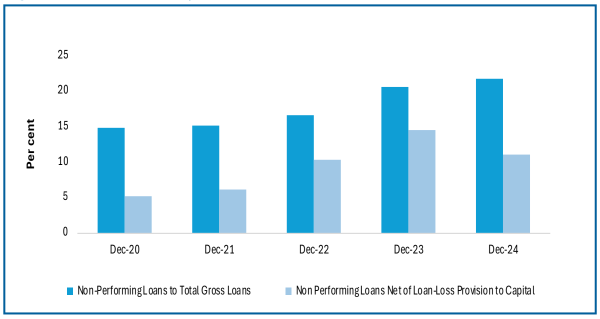
SECTORAL CONTRIBUTION TO NPLS	DEC – 23	DEC - 24
SERVICES	25.42	26.27
COMMERCE & FINANCE	23.75	23.23
TRANSPORT, STORAGE & COMMUNICATION	10.62	14.35
CONSTRUCTION	14.16	11.37
MANUFACTURING	6.55	9.34
AGRICULTURE, FORESTRY & FISHING	10.16	8.20
MISCELLANEOUS	4.00	3.18
ELECTRICITY, GAS & WATER	3.55	2.48
MINING & QUARRYING	1.80	1.58

Source: Bank of Ghana

The capital at risk improved during the year. The capacity of the banking industry to absorb NPL-related losses increased during the year as non-performing loans net of provisions to capital decreased to 11.1 per cent at end-December 2024 from 14.6 per cent at end-December 2023. In addition, the adjusted NPL ratio, which is the NPL ratio estimated without the loss category for which 100 per cent provision has been made, was 8.5 per cent at end-December 2024 relative to 8.3 per cent recorded for the same period in 2023

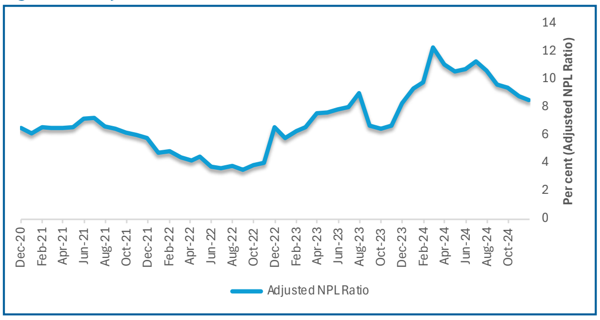
This suggests that adherence to the write–off policy is necessary to reflect the true state of asset quality in the banking sector since the current level is driven by legacy loan defaults.

Figure 3.7 Asset Quality



Source: Bank of Ghana

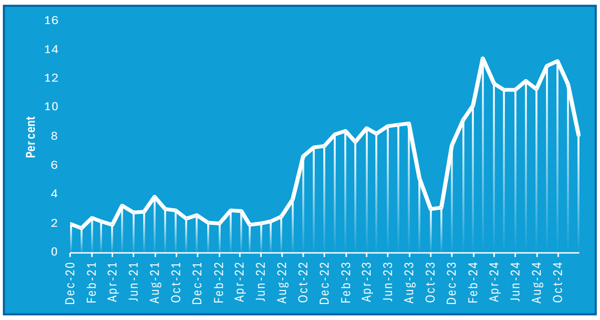
Figure 3.8 Adjusted NPL Ratio



Source: Bank of Ghana

The pace at which performing loans migrate to non–performing loans slowed in the last quarter of 2024. The rate at which performing loans migrate to non-performing surged in the first quarter of 2024, reaching an annual rate of 13.45 per cent in March 2024. However, the pace significantly slowed in the last quarter of 2024 ending the year at 8.1 per cent. It is expected that, the migration rate would continue to slow into the first half of 2025 as macroeconomic conditions strengthen.

Figure 3.9: Annual Migration Rate from Performing to Non-Performing

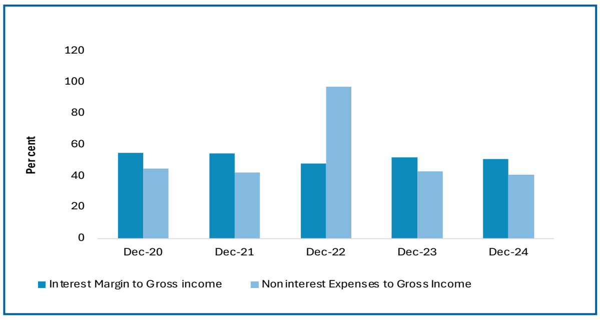


Source: Bank of Ghana

Efficiency

The industry continued to rely on its core business to generate income while keeping operational expenses under control. At end-December 2024, interest margin (net interest income) to gross income remained robust at 50.9 per cent relative to 51.8 per cent realized at end-December 2023. In terms of expenditure management, non-interest expenses to gross income improved year-on-year to 40.8 per cent at end-December 2024 from 43.04 per cent at end-December 2023.

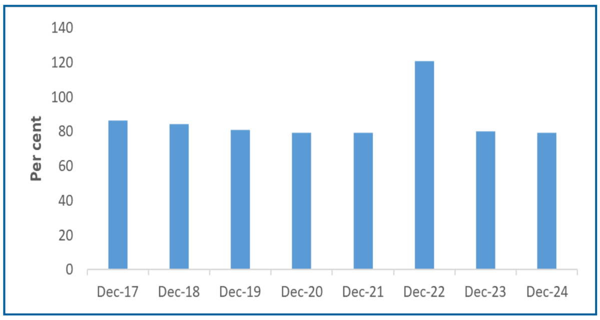
Figure 3.10: Interest Margin and Non-Interest Expenses to Gross Income



Source: Bank of Ghana

The banking sector was relatively cost efficient in 2024. The cost-to-income ratio appeared to have stabilized at pre-DDEP levels, following a significant increase in 2022 that resulted from the adjustment for DDEP-related losses. The cost-to-income ratio fell to 79.1 percent in 2024 from 80.1 percent in 2023 and 120.8 percent in 2022. The decline in the cost-to-income ratio to pre-DDEP levels reflects a slowdown in growth in operational expenses and minimal impairment adjustment relating to the Eurobond restructuring.

Figure 3.11: Cost-to-Income

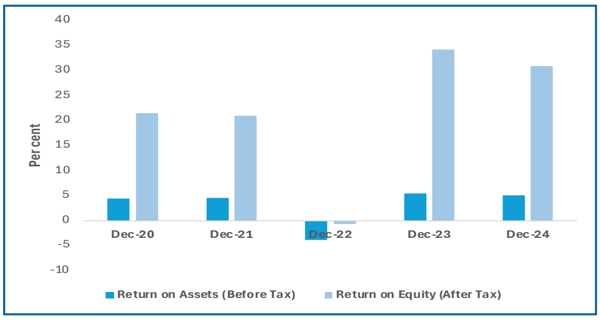


Source: Bank of Ghana

Profitability

Profitability in the banking industry remained strong following a significant rebound in 2023. Following a significant drop in earnings in 2022 arising from impairment losses related to DDEP Phase 1, profit levels in the banking industry rebounded in 2023 and remained strong in 2024. Return on equity improved from negative 25.5 per cent in 2022 to 34.2 per cent in 2023 and ended 2024 at 30.8 per cent. Return on assets also increased from negative 3.8 per cent in 2022 to 5.4 per cent in 2023 and ended 2024 at 5.0 per cent. The improvement in earnings will help rebuild the capital of the banking industry.

Figure 3.12: Return on Assets and Return on Equity

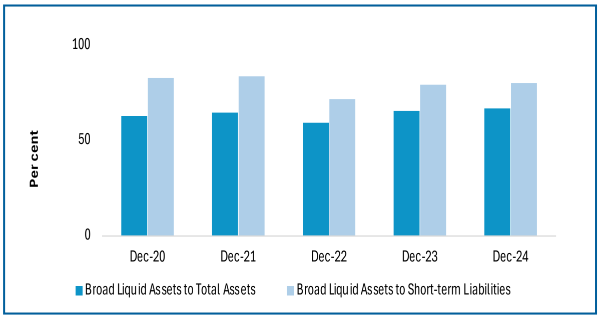


Source: Bank of Ghana

Liquidity

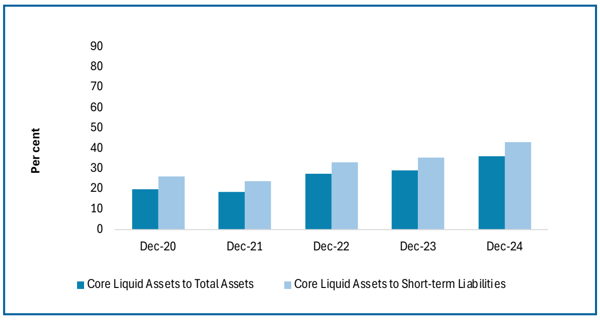
Liquidity conditions broadly improved during the year. Broad liquid assets (cash and investment) to total assets increased to 66.9 per cent at end-December 2024 from 65.7 per cent at end-December 2023. Broad liquid assets to short-term liabilities also increased to 80.1 per cent from 79.5 per cent over the review period. At end-December 2024, core liquidity indicators also improved, suggesting that the banking industry had the capacity to meet its financial obligations.

Figure 3.13: Broad Liquidity



Source: Bank of Ghana

Figure 3.14: Core Liquidity

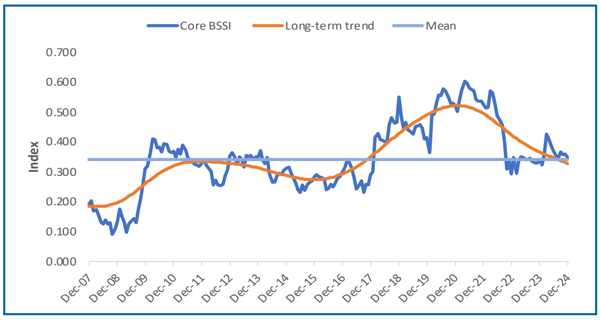


Source: Bank of Ghana

Overall Soundness of the Banking Industry

The overall soundness of the banking industry remained robust in 2024, supported by strong profitability and capital level amidst enhanced efficiency. The Banking Sector Soundness Index (BSSI)[3] ended 2024 above its long-term trend, an indication of improved soundness. This development reflects the impact of the DDEP regulatory relief measures, a rebound in earnings, adequate liquidity, and improved efficiency conditions. The main risks to the banking industry's soundness remains the elevated NPLs and undercapitalisation of a few institutions. These risks are expected to moderate on the back of recapitalisation, sustained macroeconomic recovery and enhanced risk management practices of banks.

Figure 3.15 : Banking Sector Soundness Index (BSSI)



Source: Bank of Ghana

The improved soundness of the banking industry was reflected in the Financial Soundness Indicators (FSIs) heatmap. The heatmap[4] showed strong profitability and liquidity levels, as well as improved management efficiency in 2024. At end-December 2024, all the risk indicators were either in their first-best or second-best performing periods except NPL ratio, given trends over the past two decades. However, measures of NPL management, in terms of adequacy of provision, improved in 2024 relative to 2023.

[3]The BSSI is a composite indicator of soundness constructed from the Financial Soundness Indicators (FSIs). It is developed from the Capital Adequacy Ratio, Asset Quality Ratio, Management Efficiency Ratio, Earning Ratio and Liquidity Ratio. An upward trending BSSI connotes a general improvement in the performance of the banking system

[4]Heatmaps provide timely information on the build-up of risks by comparing current developments with historical performance.

Table 3.2: Heat Map of FSIs

CORE SET	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24
Capital Adequacy													
Regulatory capital to risk weighted assets (Threshold - With Reliefs)	19.60	21.31	19.35	16.39	15.44	14.20	14.29	13.80	13.87	15.88	14.27	14.38	14.00
Regulatory Tier I capital to risk-weighted assets	17.66	19.66	17.51	14.46	14.25	12.07	11.60	11.03	11.04	13.56	11.46	11.51	11.13
Asset Quality													
NPL net of loan-loss provision to capital	6.16	6.68	6.98	6.96	10.32	11.70	14.26	11.28	14.55	19.45	15.36	12.29	11.10
NPL to total gross loans	15.12	14.42	14.06	14.05	16.59	16.85	18.71	17.99	20.58	26.74	24.13	22.77	21.79
Banks Provisions to NPL	81.26	79.40	79.41	81.19	83.58	79.27	76.76	78.89	73.19	71.70	75.66	78.35	78.74
Earnings													
Return on assets	4.57	4.72	4.59	4.50	(3.83)	5.57	5.54	5.33	5.37	5.63	5.40	5.05	5.04
Return on equity	20.91	22.32	21.94	21.91	(25.48)	36.79	37.59	35.58	34.16	36.36	35.25	32.12	30.84
Interest Margin to Gross income	54.50	51.91	50.90	50.81	47.82	46.13	49.06	51.27	51.80	54.23	51.41	51.10	50.92
Liquidity													
Core Liquid assets to total assets	18.50	19.75	20.83	22.48	27.53	23.84	26.77	24.73	29.34	31.00	34.47	35.39	36.16
Core Liquid assets to short-term liabilities	23.98	25.64	26.91	29.00	33.21	28.99	32.29	29.82	35.47	37.34	41.39	42.54	43.31
Liquid assets/total deposits	27.48	29.91	31.73	33.40	36.47	31.09	34.60	31.71	37.61	40.06	45.31	46.82	48.16
Broad liquid assets to total assets	64.61	63.64	61.24	60.83	59.45	62.68	63.78	64.77	65.72	68.38	67.55	67.58	66.87
Broad liquid assets to short-term liabilities	83.73	82.65	79.12	78.50	71.71	76.22	76.92	78.12	79.46	82.34	81.10	81.23	80.09
Efficiency													
Noninterest expenses to gross income	42.19	41.37	42.58	40.52	97.04	41.55	41.26	42.69	43.04	38.86	37.65	39.43	40.83
Personnel Expenses to Gross income	18.06	17.84	17.91	16.23	16.45	15.20	15.49	15.65	15.67	16.19	16.62	16.67	16.45

Source: Bank of Ghana

3.2 Regulatory Developments and Mitigation Measures for Emerging Risks

The BoG issued an outsourcing directive in November 2024 to effectively manage banks and Specialised Deposit-taking Institutions' (SDIs) relationship with third party service providers. Banks and SDIs are increasingly outsourcing major roles and activities to control operating costs, and respond to challenges associated with technological innovation, increased specialization, and heightened competition. Notwithstanding these gains, outsourcing of key business activities can increase the banks and SDIs' dependence on service providers which may heighten their risk profiles and jeopardize overall safety and soundness, particularly where material business activities, services or processes are outsourced to an unregulated third party or an overseas service provider. In addition, outsourcing is becoming increasingly complex, heightening banks and SDIs exposure to strategic, reputational, compliance, operational, country and concentration risks. To limit these risks, and clearly set out BoG's expectations regarding outsourcing arrangements, BoG issued a comprehensive directive in 2024. The Directive, among other measures, seeks to ensure that outsourcing arrangements neither diminish Banks and SDIs' ability to fulfil its obligations to customers nor impede effective supervision by the BoG.

Given the potential exposure of the banking industry to climate-related risks, the BoG finalized and issued a Climate-Related Financial Risk Directive in 2024. BoG recognises that banks and SDIs are exposed to climate-related financial risks regardless of their size, complexity, or business model. Climate-related financial risk drivers can translate into traditional financial risk categories, including credit, market, liquidity, and operational risks. In this regard, it is necessary for institutions to actively consider the potential impact of climate-related risks on their respective business models and assess the financial materiality of these risks. Subsequently, this directive sets out the supervisory expectations for BoG-regulated institutions with respect to the approach to management and disclosure of climate-related financial

Colour Code	Green	Blue	Yellow	Red
Performing Period	1st Best	2nd Best	3rd Best	4th Best

Legend for the Quartile Based Heat Map of FSIs risks. The directive focuses on corporate governance, internal control frameworks, assessment of capital adequacy and liquidity, risk management processes, scenario analysis, and disclosures. This directive greatly aligns with the goals to address climate change mitigation and adaptation in line with Ghana's Nationally Determined Contributions (NDCs) to the Paris Agreement.

The BoG has published a draft directive to manage expected loss relating to large exposures. This directive seeks to limit the maximum loss that banks and SDIs can incur in the event of the sudden failure of a counterparty or a group of connected counterparties to a level that does not endanger the institution's solvency. In addition, the directive will provide clarity to banks and SDIs on regulatory requirements to eliminate any ambiguities in the interpretation of the rules related to limits on financial exposures. The BoG, through this directive, seeks to establish a framework for large exposures that complements and serves as a backstop to the risk-based capital requirements. Furthermore, the directive aims to ensure institutions regulated by BoG manage large exposures effectively to contribute to the stability of the broader financial system.

The BoG has issued guidelines on the management and measurement of credit concentration risk to contain excessive exposures to single obligors and sectoral concentration of credit. Concentration in credit portfolio is a significant source of risk to the viability and solvency of banking institutions, as evidenced by banking crises in the recent past, which were mainly due to significant exposures to: a few large borrowers, connected borrowers, a single asset class, and linkages between asset classes. The guidelines will enable banks to understand and mitigate the potential impact of credit concentration risk on their solvency positions and overall risk profiles. Specifically, it will aid institutions to implement appropriate governance and risk management practices to effectively identify, measure, manage, monitor, report, and control their credit concentration risks.

To mitigate possible adverse impact of bancassurance on the banking industry, BoG has introduced a directive to standardise this business model. Regulated Financial Institutions (RFIs) are engaged in different bancassurance arrangements, with some potentially threatening their safety and soundness. In view of this, the directive requires all RFIs to adopt the Distribution Partnership Model. This model allows RFIs to sell insurance products to their customers on behalf of an insurer using an RFI's distribution network. This model permits an RFI to contract one life and one general insurance company and allows for individual or retail customers to choose their desired product and insurer. The model ensures that there is no sharing of risk between the RFI and the insurer. It also aligns with the bancassurance model as adopted by the National Insurance Commission.

To manage structural liquidity and in part engender greater credit intermediation, the Monetary Policy Committee of the central bank introduced the dynamic CRR. This measure introduced in April 2024, rewards banks with higher loan-to-deposit ratio with lower CRR requirements as follows:

a. Banks with loan-to-deposit ratio above 55 per cent will have to meet a CRR of 15 per cent.
b. Banks with loan-to-deposit ratio between 40 per cent to 55 per cent will have to meet CRR of 20 per cent.
c. Banks with loan-to-deposit ratios below 40 per cent will be required to hold CRR of 25 per cent.

To enhance efficiency in the microfinance space and broaden financial inclusion, the BoG in collaboration with the Ministry of Finance is developing a National Microfinance Policy Framework. The microfinance sub-sector is bedevilled with several challenges including low levels of capital, and the perceived risks of doing business with microfinance institutions. This situation has led to a dwindling market share despite asset growth thus rendering the sub-sector unable to play the required financial intermediation role. Consequently, the average national private credit-to-deposits ratio remains low at about 9 per cent, compared to an African average of approximately 27 per cent. The persistent evidence of limited financial sector development underscores the need for targeted policy interventions to mitigate these vulnerabilities. In response to these challenges, the BoG is co-leading the ongoing development of a national Microfinance Policy Framework with the Ministry of Finance. This proposed framework aims to enhance the functional structure of the microfinance sub-sector and deepen the financial sector.

The BoG has also intensified training and is reviewing its guidelines and directives to improve corporate governance in the SDI sector. As the financial landscape continues to evolve due to technology and innovation, so are governance challenges. This evolution is rendering recently issued directives and sector-specific business rules outdated. Several deficiencies have been identified in the current regulatory framework, necessitating a comprehensive review to strengthen corporate governance practices and ensure effective supervisory oversight. The review of the Corporate Governance Directive for Rural and Community Banks, 2021 and the Business Rules and Sanctions for Microfinance Institutions, 2017 would enhance accountability, risk management and board effectiveness within the SDI segment. The BoG also organised training for the directors and key management personnel of Rural and Community Banks (RCBs) and Microfinance Institutions (MFIs) in 2024 to align the expectations of BoG with the sector.

The training covered selected topics from the operating environment, financial statements analysis, corporate governance, internal audit and fraud, risk management, credit risk management, ethics and professionalism, emerging cyber security issues, and strategic leadership.

CHAPTER FOUR
Assessment of the Insurance Industry

4.1 Performance of the Insurance Industry[5]

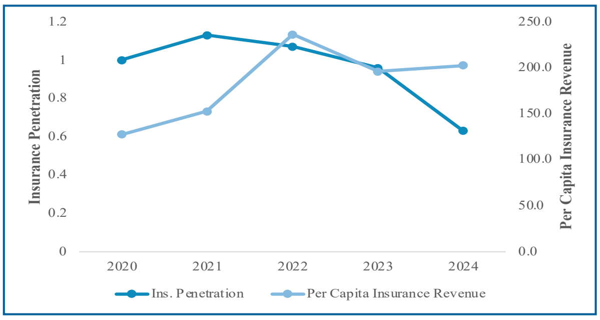
Introduction

The period under review was marked by shifts in financial reporting, prudential oversight, and regulatory transformation. In 2024 , the National Insurance Commission (NIC) continued to foster a robust insurance industry capable of promoting public confidence, safeguarding policyholder interests, and reinforcing the financial sector's contribution to national economic development. Central to these efforts is the ongoing mandatory implementation of IFRS 17 (Insurance Contracts), a global accounting standard, and the development of a Risk-Based Capital (RBC) framework.

Insurance Penetration and Insurance Density

Insurance penetration in Ghana remains low. In the year under review, insurance penetration based on gross premiums remained at 1.0 per cent in 2024 as in 2023. However, with the adoption of the Insurance Service Revenue under IFRS 17 (Insurance Contracts), insurance penetration for 2024 stood at 0.63 per cent. In the years ahead, on the back of digitalization, innovation, inclusive insurance and public education, insurance penetration is expected to increase.

Figure 4.1: Insurance Penetration, and Per Capita Insurance Revenue



Source: National Insurance Commission

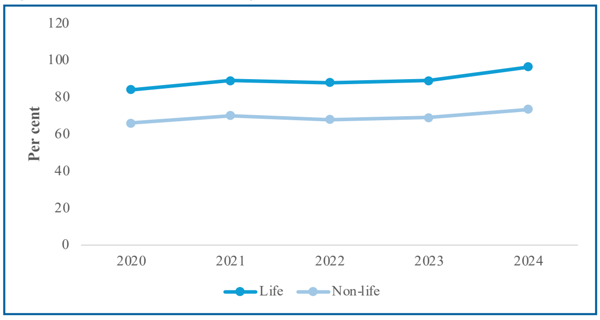
Although insurance penetration remained low, insurance density showed an improvement compared to the previous year. Insurance density, which measures per capita insurance spending, increased to GH₵202.40 in 2024 from GH₵195 in 2023. This growth primarily suggests an increase in average policy sizes or an improvement in disposable income, reflecting the easing of economic strain on households and businesses.

Retention of Premiums

The insurance premium retention for the Life segment remained high. In the life segment, retention remained high at 96.36 per cent. This high retention reinforces the importance of robust reserving, sound asset-liability matching, and prudent investment practices to protect policyholder funds and avoid future solvency shocks.

Retention ratios for the non-life segment remained broadly stable. The non-life retention ratio in 2024 was 73 per cent compared to 69 per cent in 2023. The level of the ratio points to the non-life's sector's potential to exhaust local market capacity, decreasing dependence on external reinsurance markets. This would limit the exposure of non-life insurers to global reinsurance price cycles and counterparty risks, while also contributing to reduced foreign exchange outflows, a concern in Ghana's current macroeconomic environment.

Figure 4.2.: Retention Ratios by Life and Non-life

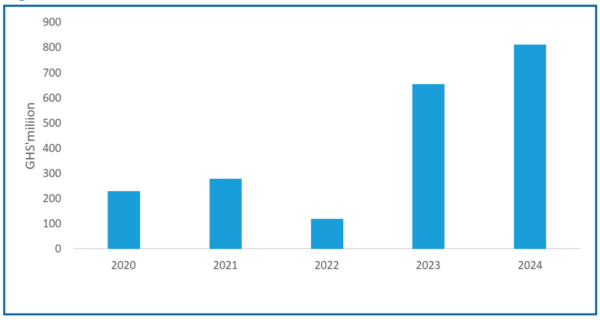


Source: National Insurance Commission

The evolving dynamics of retention ratios have financial stability implications for the insurance industry. While both ratios remain within regulatory thresholds, as the RBC implementation approaches, it is expected that these retention patterns will directly impact capital adequacy and liquidity planning, and stress testing outcomes, making them not just operational metrics but also forward-looking indicators of systemic resilience.

Overseas reinsurance premium transfers increased. The NIC approved GH₵814 million in overseas reinsurance premium transfers in 2024, up from GH₵ 656 million in 2023. This increase reflects constraints in local capacity and a growing reliance on foreign reinsurers, with a notable rise in premium remittances denominated in foreign currency. While offshore reinsurance enhances risk diversification, it also exposes the industry to foreign exchange volatility and capital outflows, which could heighten systemic liquidity pressures if exchange rate fluctuations become severe. Strengthening domestic reinsurance capacity remains key to mitigating these risks and reinforcing financial stability.

Figure 4.3: Overseas Reinsurance Premium Transfers



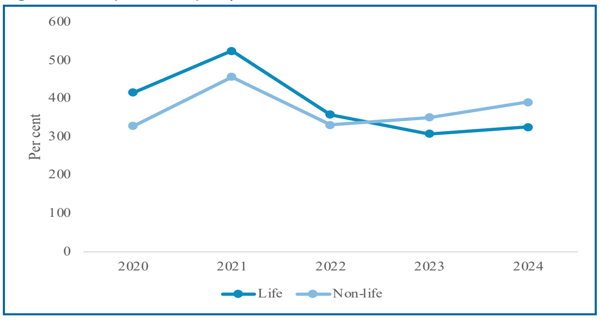
Source: National Insurance Commission

[5]Due to the low submission of 2024 audited data from insurers, largely stemming from the IFRS 17 transition, the analysis covers development from Q1 2024 up to Q4 2024

Solvency and Equity Growth

The insurance industry's equity base and solvency position expanded. Equity grew by 31 per cent in 2024 to GH₵6.62 billion from GH₵5.04 billion in 2023. This growth strengthened the industry's capital resilience, enhancing its ability to absorb shocks. This equity growth aligns with the industry's strong solvency position, with average Capital Adequacy Ratios (CAR) for 2024 exceeding the 150 per cent regulatory benchmark. Life insurers recorded an average CAR of 325 per cent, while non-life insurers reported 390 per cent. The improved equity base and solvency position reflect prudent capital management, improved underwriting profitability, and heightened regulatory focus on capitalization ahead of RBC implementation.

Figure 4.4: Capital Adequacy Ratio (%)



Source: National Insurance Commission

Despite improvement in solvency position and equity base, sector-specific risks persist. In the life segment, solvency remains sensitive to IFRS 17 adjustments and portfolio rebalancing after the DDEP, exposing insurers to asset quality and discount rate risks. In the non-life segment, improved solvency partly reflects increased use of reinsurance, lowering direct claims exposure but heightening sensitivity to global reinsurance pricing and counterparty risk. From a financial stability perspective, these strong equity and solvency buffers provide critical protection against policyholder losses and wider financial sector contagion. As the industry braces for the implementation of RBC in 2026, the NIC's supervision will shift from focusing purely on capital levels to assessing how well capital aligns with actual risks, ensuring that strong capital translates into real resilience and long-term financial stability.

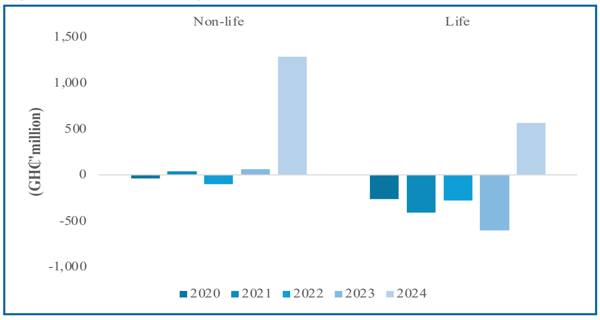
Profitability

Profitability within Ghana's insurance industry remains robust. This is largely supported by stronger investment income, improved underwriting performance (particularly in the non-life segment), and insurers' adaptability in managing investment portfolios post DDEP. Across both segments, the profit outturn was a positive signal for financial stability, as it would potentially support capital retention and organic growth, reducing immediate pressures for recapitalization.

Despite improvements in profitability, segment-specific risks remain. In the life insurance segment, investment income continued to play a crucial stabilizing role, complementing underwriting profits and enhancing overall financial performance. Such dependence underscores potential vulnerabilities to future macroeconomic shocks, reinforcing the need for life insurers to sustain and further strengthen underwriting profitability. In the non-life segment, profitability was driven by both underwriting profits and investment gains, demonstrating a relatively healthier earnings structure. This diversified profitability base enhances resilience, making non-life insurers better positioned to withstand external shocks while maintaining capital strength. However, the non-life segment's reliance on reinsurance for risk transfer implies that a portion of future profitability will be sensitive to global reinsurance pricing cycles.

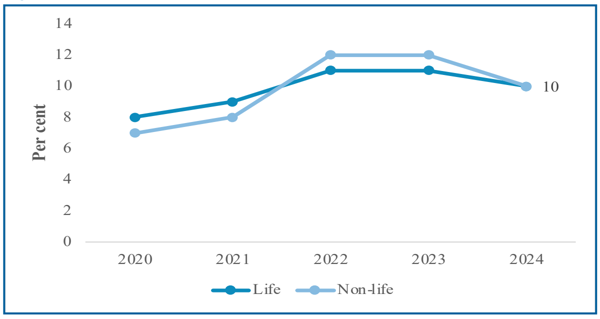
For the NIC, these profitability trends emphasize the importance of supervision. The supervisory framework focuses on sustainable earnings quality, ensuring that profitability is derived from sound underwriting, prudent pricing, and effective cost management, rather than over-reliance on volatile investment returns.

Figure 4.5: Underwriting Results / Insurance Service Results



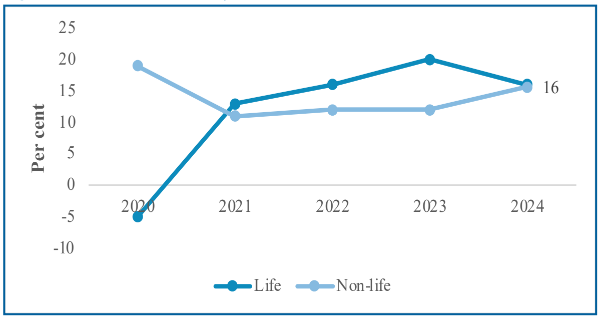
Source: National Insurance Commission

Figure 4.6: Investment Yield



Source: National Insurance Commission

Figure 4.7: Return on Equity

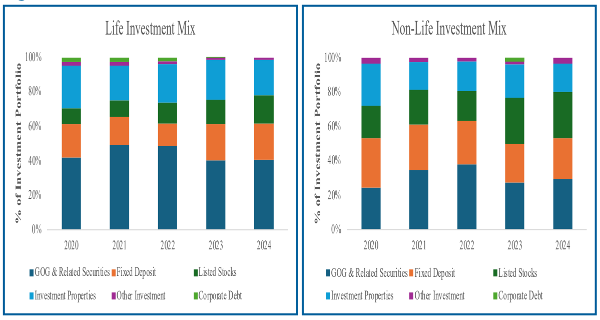


Source: National Insurance Commission

Investment Portfolio

Total investment assets of the industry declined slightly. The decline reflected market volatility, portfolio rebalancing, and cautious investment postures following the DDEP. The life segment continues to dominate the industry's investment holdings, accounting for approximately GH₵6.7billion, compared to GH₵3.1 billion held by the non-life segment.

Figure 4.8 Investment Portfolios of Insurers (Life and Non-Life)



Source: National Insurance Commission

Increased allocations to listed stocks, fixed deposits, and investment properties signal a search for yield and greater asset diversification. However, these shifts also introduce new risk considerations, particularly equity price volatility and property valuation uncertainty in an evolving macroeconomic environment. From a financial stability perspective, the evolving investment strategy reflects both strength and fragility. On the one hand, the reduced concentration in government securities enhances resilience to sovereign risk. On the other hand, increased exposure to equities and real estate heightens vulnerability to market cycles, especially under adverse economic scenarios.

The NIC's role in guiding the asset diversification and the search for yields of the insurance industry remains crucial. By strengthening investment guidelines and embedding risk-based capital incentives, the NIC ensures that investment decisions enhance long-term solvency and financial stability. Additionally, as insurers adapt to the IFRS 17 era, where asset-liability matching and fair value measurement gain prominence, their investment decisions will no longer be purely a search for good returns but will become central to demonstrating both solvency strength and policyholder protection. Ultimately, the industry's ability to balance yield generation with risk resilience will be a key factor in the industry's ability to contribute meaningfully to Ghana's overall financial stability.

In line with ongoing regulatory reforms, the outlook for 2025 remains positive. The 2025 outlook for Ghana's insurance industry highlights major regulatory reforms. The implementation of the RBC framework will redefine solvency management, while IFRS 17 improves how insurers report performance, manage liabilities, and price risk. These regulatory reforms will be complemented by NIC firmly enforcing compliance, resilience, and transparency to drive stability and innovation. In 2025 and beyond, three main priorities will, therefore, shape the regulatory and supervisory agenda:

a. Sanitising the insurance market
b. Driving market growth through innovation and financial inclusion and
c. Positioning Ghana's insurance market internationally

4.2 Regulatory Developments

The insurance industry is transitioning to a new financial reporting standard (IFRS 17: Insurance Contracts). This new reporting standard represents a fundamental departure from the previous reporting standard (IFRS 4). Specifically, IFRS 17 introduces a more transparent and principle-based framework for insurance financial reporting by enhancing comparability, consistency, and the overall quality of financial disclosures. While the full impact of IFRS 17 on the industry's financial health, capital adequacy, and profitability is still unfolding, early indications suggest it offers a more refined representation of insurers' financial positions and risk exposures. To align with the requirements of IFRS 17, reporting templates were updated accordingly, ensuring consistency with the new standard. The NIC will ensure regulatory compliance with this new standard in the short-to-medium term.

To create a comprehensive risk-sensitive regulatory environment, the NIC's Risk-Based Supervision (RBS) framework would be complemented by the Risk-Based Capital (RBC) framework. The NIC's implementation of the RBC regime is aimed at aligning capital requirements with insurers' risk exposures to ensure companies maintain sufficient capital buffers to absorb losses and protect policyholders. The draft RBC framework is specifically tailored to Ghana's local market, considering factors such as market volatility, operational risks, and regulatory capacity. To facilitate a smooth transition, the NIC will prioritize capacity-building initiatives. At the same time, the ongoing RBS complements the RBC regime by shifting regulatory focus from compliance-based checks to a more dynamic, forward-looking assessment of insurers' risk profiles. This approach involves continuous monitoring, stress testing, and engagement with insurers to ensure proactive risk management. RBS also enables the regulator to allocate supervisory resources more efficiently by prioritizing high-risk entities, which fosters market stability and growth.

The NIC is leading the implementation of an inclusive insurance strategy to increase access to insurance,

product transparency, and consumer protection. Insurance penetration in Ghana remains low, with a significant portion of the population lacking insurance protection against risks. Many low-income individuals, informal sector workers, and rural communities remain uninsured due to affordability barriers, product complexity, and limited access to traditional distribution channels. To encourage the provision of inclusive insurance products, the NIC seeks to expand coverage to the underserved population. Recognizing the need for a structured approach, the NIC is also enhancing its supervisory framework, starting with a review of the Microinsurance Market Conduct Rules, alongside the Inclusive Insurance Strategy.

4.3 Measures to Mitigate Emerging Risks

The NIC continues to provide training and capacity building to the industry to facilitate timely submission of returns. This capacity building has become crucial in light of the adoption of IFRS 17. Specifically, the technical training aims to cover shortfalls in actuarial expertise, thereby reducing reliance on external consultants. Additionally, insurers are being encouraged to resolve data fragmentation challenges. These efforts will enable the NIC to conduct timely and effective surveillance, reducing potential blind spots in its supervisory assessment.

The NIC is evaluating the potential impact of the adoption of the risk-based capital regime on the industry to mitigate any adverse effects. As the insurance industry prepares to transition to a RBC regime in 2026, there are concerns that some insurers may face capital adequacy challenges. Under RBC, insurers will be required to hold capital commensurate with the risks they assume, a departure from the current rules-based solvency approach. To mitigate this, the NIC would conduct dry runs across the industry to identify early warning signs of vulnerabilities and map out mitigating measures. The dry runs will also influence the determination of the duration of the transition.

Insurers must continuously ensure that asset-liability matching is undertaken periodically. While the strict enforcement of the No Premium No Cover (NPNC) directive has significantly improved premium collection across the insurance market potential asset-liability mismatches may emerge, particularly within the life insurance segment. If investment strategies remain overly short-term focused, life insurers could experience reinvestment risk, lower investment returns, and heightened funding pressure when long-term claims begin to crystallize. These risks are less pronounced in the non-life segment, where liabilities are typically short-term. To mitigate this, insurers should periodically align investments and liquidity maturity profiles with claims outflows, particularly following large catastrophic events.

The NIC has developed a comprehensive cyber risk framework and guidelines for compliance. With the accelerating push toward digital distribution channels, online sales, and automated claims processing, insurers are becoming increasingly exposed to cyber risks, including data breaches, ransomware attacks, and system failures. Many insurers lack dedicated cyber risk frameworks and adequate investment in cybersecurity infrastructure, exposing both policyholder data and operational continuity to potential threats. To this effect, the NIC would continue to review the cyber risk framework and guidelines to address any potential risks in that regard.

To maintain public confidence amid regulatory changes, the NIC intends to strengthen stakeholder engagement. As the insurance sector undergoes regulatory transformation, there is a risk of public misunderstanding of the impact of these regulatory reforms on performance. If these shifts are misinterpreted as signs of instability, or if reporting delays are perceived as financial distress, policyholder trust could weaken. To mitigate this, the NIC would strengthen its stakeholder engagements and educational campaigns to demystify insurance for policyholders, investors, and the wider public. NIC is also enhancing market conduct supervision to improve policyholder protection and product disclosures.

CHAPTER FIVE
Assessment of the Securities Industry

5.1 Performance of the Securities Industry

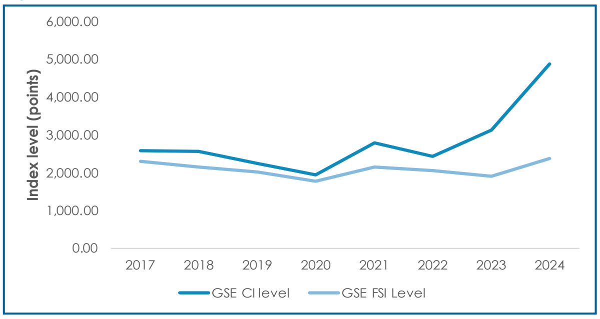
Introduction

The performance of the securities industry remained strong in 2024. The stock market recorded its highest returns in over a decade, driven by improved investor sentiments and strengthening macroeconomic conditions. In the fixed income market, trading activities remained vibrant, supported by a relative increase in liquidity, as the Ghana Fixed Income Market (GFIM) rebounded, driven by the performance of government short-term debt instruments. Despite the strong performance of the securities industry, investors have largely favoured short-term securities, reflecting the lagged effects of the DDEP on the bond market. The strong performance of both equity and fixed income markets boosted confidence. This optimism translated into growth in Assets Under Management (AUM), highlighting the securities industry's resilience and long-term potential.

Stock Market

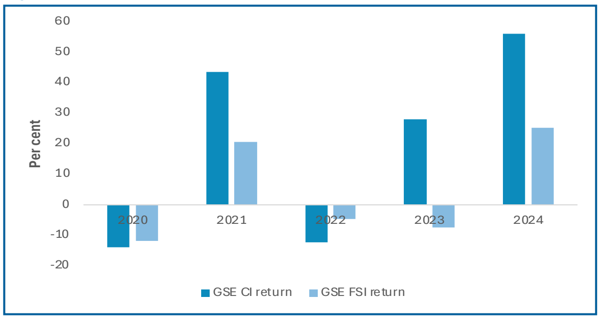
The Ghana Stock Exchange (GSE) emerged the top performing market in Africa in 2024. The market started the year on an upswing, evidenced by the impressive gain of 326 points in the Ghana Stock Exchange Composite Index (GSE-CI) to end the first quarter with a return of 12.0 per cent. The strong upward momentum continued throughout the year, with the market recording an annual return of 56.2 per cent compared with an annual return of 25.2 per cent in 2023. The 2024 return marked the highest annual return for the benchmark index since 2013. The Ghana Stock Exchange Financial Stocks Index (GSE-FSI) also delivered an impressive performance, climbing by 479.22 points to close the year at a level of 2,380.8 points, representing an annual return of 25.2 per cent. The market's momentum was bolstered by a positive market breadth, with more stocks experiencing gains. At the end of the year, 18 stocks had recorded price increases on a year-on-year basis, while 5 stocks recorded declines. The sustained improvement in the stock market reflects positive investor sentiments, strong performance of financial institutions post-DDEP, and sustained macroeconomic recovery.

Figure 5.1: GSE CI and FSI Levels



Source: Ghana Stock Exchange, 2024

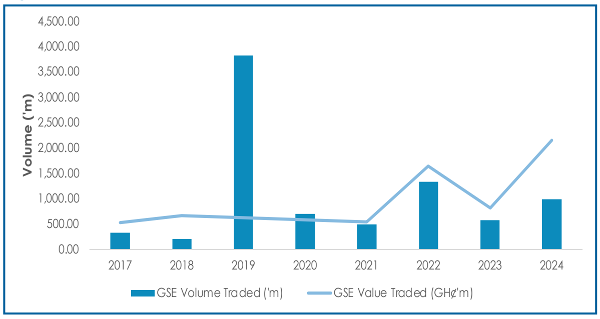
Figure 5.2: GSE CI and FSI Annual Returns



Source: Ghana Stock Exchange, 2024

Trading activity was vibrant, underscored by heightened investor interest and liquidity. This reflected in 992 million shares changing hands with an annual trade value of GH₵2.15 billion in 2024, relative to 579.67 million shares traded at a total value of GH₵818.2 million in 2023. The Information and Communication Technology (ICT) sector continued to play a pivotal role, contributing significantly to both trade volumes and values, while the financial sector and exchange-traded funds also made important contributions to overall market turnover.

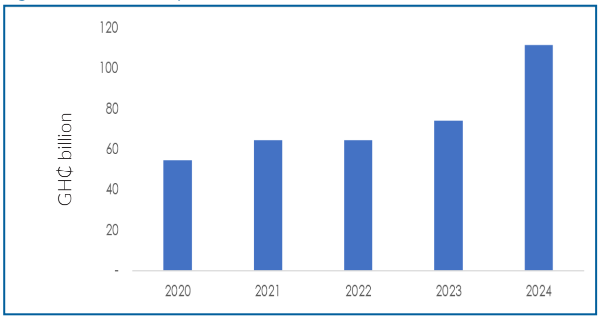
Figure 5.3: Volume and Value Traded



Source: Ghana Stock Exchange, 2024

The market's growth extended beyond trading figures to market capitalization. The year ended with a better-than-expected market capitalization of GH₵111 billion, reflecting an impressive 50 per cent year-on-year growth from GH₵74 billion at the close of 2023. This surge in market capitalization was fuelled by the sustained rally in share prices and the listing of Atlantic Lithium and CAL Bank preference shares, which deepened market participation and diversity. At the close of the year, there were 34 counters on the main list of the exchange and 5 counters on the Ghana Alternative Market (GAX) of the GSE.

Figure 5.4: Market Capitalisation

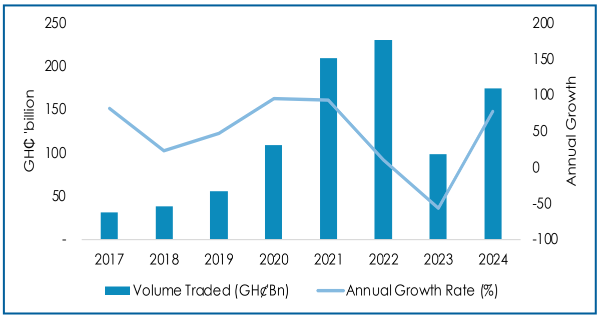


Source: Ghana Stock Exchange, 2024

Fixed Income Market

The Ghana Fixed Income Market (GFIM) demonstrated remarkable recovery. 2024 began on a strong note with first quarter trade volumes surging to GH₵40.7 billion, a 64 per cent increase from the GH₵24.8 billion recorded in Q1 2023. This surge in activity, which persisted through to the fourth quarter of 2024, signalled renewed investor interest. The strong performance in the final quarter, with trade volumes of GH₵55.24 billion (+41% y/y), contributed to an impressive cumulative annual trade volume of GH₵174 billion, representing a 76.8 per cent growth from total trade volumes of GH₵98.4 billion recorded in 2023.

Figure 5.5: Volume Traded on the GFIM



Source: Ghana Stock Exchange, 2024

Activity for the year was concentrated at the shorter end of the yield curve, with investors favouring short-term securities. Consequently, instruments with maturities of less than a year accounted for 70 per cent of total trade volumes. This preference underscored a cautious strategy aimed at managing risk and maintaining liquidity. Government notes and bonds also continued to play a central role in the market's performance, accounting for 29 per cent of trade volumes. Although the share of corporate bonds in the total volume traded reduced, the volume of corporate bonds traded increased by 34 per cent in 2024. By the end of 2024, the GFIM had 219 debt securities outstanding, down slightly from the 229 recorded in December 2023, which included a mix of corporate bonds, government bills and notes, government bonds, and locally issued US dollar-denominated government bonds.

Renewed focus on the capital market is driving corporate funding strategies. Twelve (12) new corporate debt issuances were recorded, with corporate bond trading volume expanding from GH₵1.7 billion in 2023 to GH₵2.3 billion in 2024. On the back of the enhanced depth and diversity of the corporate bond segment, the total outstanding corporate securities on the GFIM increased to GH₵9.9 billion and pushed the volume of corporate debt issuances to GH₵21.1 billion, hinting at a gradual diversification of the market.

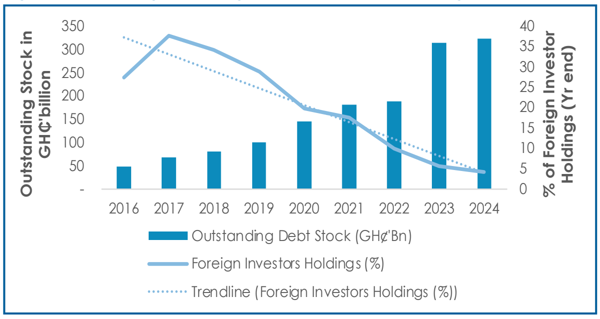
Table 5.1: Volume Traded on the GFIM by Market Segment

	2023	Share in total volume traded (%)	2024	Share in total volume traded (%)
Government Notes & Bonds	32,164,231,270	33%	50,045,164,508	29%
Treasury Bills	57,728,703,510	59%	120,393,858,635	69%
Bank of Ghana Bills	7,015,777,056	7%	1,234,465,602	1%
Corporate Notes & Bonds	1,733,308,356	2%	2,329,865,360	1%
Total	**98,642,020,192**	**100%**	**174,003,354,105**	**100%**

Source: Ghana Fixed Income Market, 2024

Despite the encouraging developments in the domestic market, foreign investor participation was tepid. Non-resident holdings of outstanding debt securities fell to 4.1 per cent, a notable decline when compared to the 2022 average of 14.4 per cent and the 2023 average of 8.6 per cent.

Figure 5.6: Holdings of Foreign Investors in Outstanding Debt Stocks

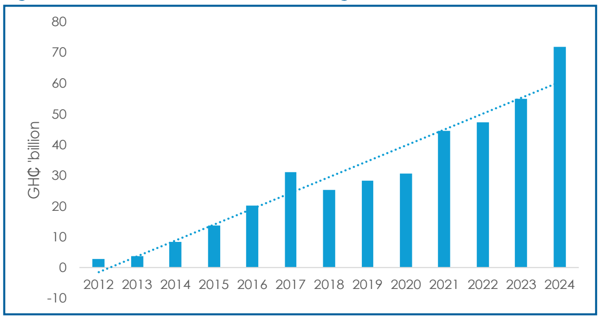


Source: Ghana Stock Exchange, 2024

Funds Management

The Funds Management sector witnessed robust growth. Underpinned by a strong performance in several key segments, total AUM on a MTM basis, reached GH₵71.97 billion by the end of the year, an impressive 31 per cent year-on-year growth from GH₵55.05 billion at the end of 2023.

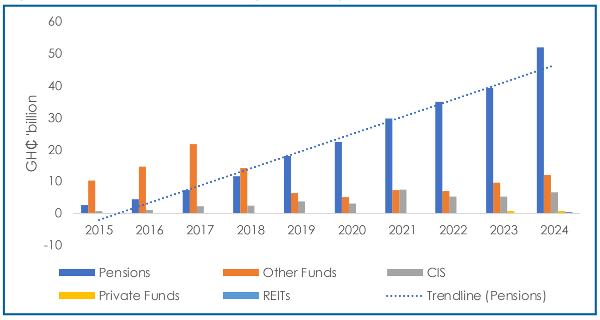
Figure 5.7: Growth in Assets Under Management (AUM)



Source: Securities and Exchange Commission, 2024

A major contributor to this expansion was the pension fund segment, which continued to dominate the market. Pension funds accounted for 72.0 per cent of the total AUM, amounting to GH₵51.96 billion, based on marked-to-market values and adjusted data from custodians. This represents a 32.0 percent year-on-year increase, highlighting the resilience and sustained growth of pension investments in the current economic climate. Collective Investment Schemes (CIS) also demonstrated a notable turnaround from the 1 per cent year-on-year decline in 2023, rebounding by 25.0 per cent year-on-year, to reach marked-to-market values of GH₵6.58 billion for the year under review. Discretionary funds managed by fund managers similarly expanded by 24.0 per cent year-on-year to settle at GH₵12.08 billion. The Real Estate Investment Trusts (REITs) segment (new market segment) ended the year with a marked-to-market value of GH₵545.56 million, while Private funds experienced a gain of 5.9 per cent to end the year with AUM on a marked-to-market basis of GH₵802.94 million.

Figure 5.8: Assets Under Management (By Sector)

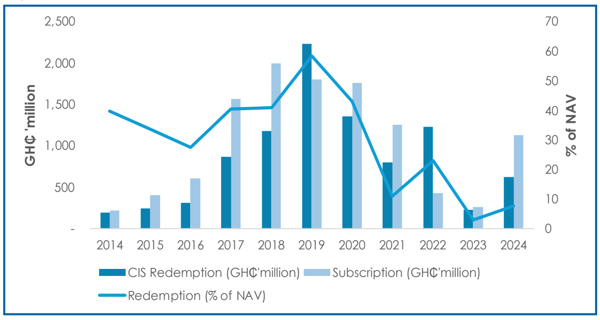


Source: Securities and Exchange Commission, 2024

The AUM on Held-to-Maturity (HTM) basis expanded by 26.9 per cent to GH₵85.62 billion in 2024. Based on adjusted data from custodians, the pensions sector posted an HTM AUM of GH₵ 62.47 billion, discretionary and non-discretionary funds of GH₵ 13.83 billion, CIS of GH₵7.97 billion, REITs of GH₵0.55 billion, and Private Funds of GH₵0.80 billion. This broader growth on both the marked-to-market and HTM basis underscores the industry's capacity to attract and retain capital, even when faced with macroeconomic headwinds.

The CIS industry experienced some recovery, with subscriptions rising sharply, signalling renewed investor confidence and improved market conditions. This contrasts with 2023, when both subscriptions and redemptions reached their lowest levels, reflecting a period of subdued market activity. Redemption payouts increased in 2024 after a sharp decline in the previous year, suggesting that improved liquidity facilitated greater investor payouts. The redemption percentage of Net Asset Value (NAV), which was at its lowest in 2023, also saw a modest increase in 2024, though it remained below historical levels.

Figure 5.9: CIS Performance

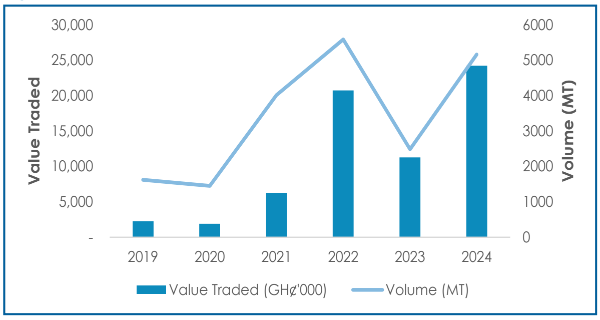


Source: Securities and Exchange Commission, 2024

The Ghana Commodity Exchange

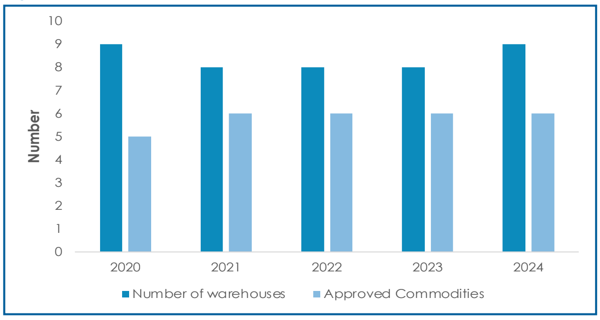
The Ghana Commodity Exchange (GCX) experienced remarkable growth, reinforcing its role in agricultural trade and market efficiency. Trading volume surged by 107.4 per cent to 5,161.03 metric tonnes in 2024. The total trade value soared by 114.8 per cent, from GH₵11.29 million in 2023 to GH₵24.23 million. This growth was driven by several factors, including increased market participation, the strategic use of commodity aggregation funds, a faster settlement cycle (T+1, a day after the transaction date), improved warehouse infrastructure, and enhanced trader confidence. Additionally, settlement values grew by 113.3 per cent to GH₵23.31 million, reflecting enhanced liquidity and improved transactional efficiency.

Figure 5.10: GCX Trade



Source: Ghana Commodities Exchange, Securities and Exchange Commission, 2024

Figure 5.11: Number of Warehouses and Approved Commodities



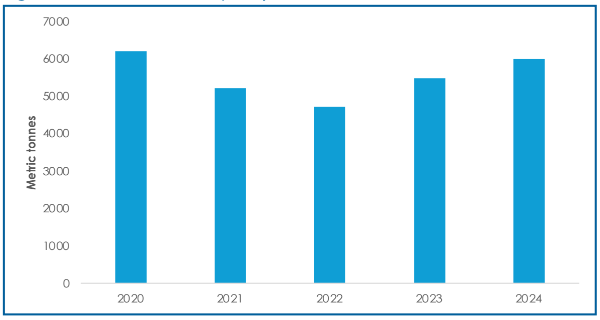
Source: Ghana Commodities Exchange, Securities and Exchange Commission, 2024

Trading volumes for major commodities recovered strongly partly due to increased demand and favourable pricing. Maize trading volumes grew by 99.2 per cent to 4,604.38 metric tonnes in 2024 from

2,311.78 metric tonnes in 2023, driven by increased demand, improved market access, and favourable pricing. Soybean recorded the most significant expansion, surging by 190.1 per cent to 511.65 metric tonnes from 176.39 metric tonnes, reflecting rising demand from domestic processors and export markets. During the period, commodities exhibited varying price trends compared to 2023. Maize prices increased by 34.2 per cent to GH₵4,396.00 from GH₵3,276.50. Soybean prices experienced the sharpest rise, surging by 107.1 per cent to GH₵8,311.00 per metric tonne from GH₵4,012.50 due to increased export demand and rising input costs. Sorghum, sesame, and rice prices remained unchanged, pointing towards stable supply and demand dynamics in those segments of the market.

Warehouse operations expanded, reflecting improvements in storage capacity and regulatory compliance. The number of warehouses increased from 8 to 9, indicating investment in storage infrastructure aimed at enhancing market accessibility. This expansion underscores GCX's commitment to boosting storage and trading activities to address liquidity challenges. Likewise, total warehouse capacity grew by 9.1 per cent to 6,000 metric tonnes, supporting business growth, operational efficiency, and market demand. These developments signal a strengthened warehousing sector, improved storage efficiency and regulatory compliance. The warehouses are strategically distributed across Ghana's key agricultural hubs, covering the Ashanti, Bono, Northern, Upper East, and Upper West regions.

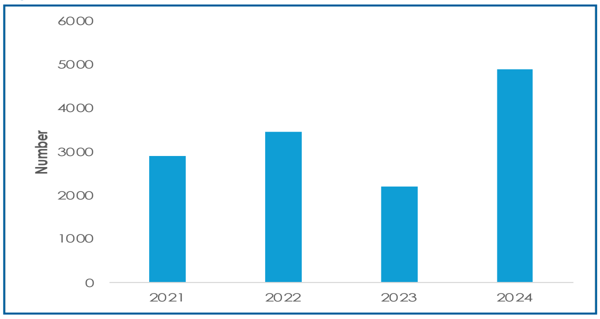
Figure 5.12: Warehouse Capacity



Source: Ghana Commodities Exchange, Securities and Exchange Commission, 2024

The number of contracts executed on the GCX surged by 122.03 per cent to 4,898 contracts, highlighting increased trading activity and market confidence. The excellent growth in 2024 culminated in a six-year Compound Annual Growth Rate (CAGR) of approximately 14 per cent. The Exchange, for the period, traded three commodities relative to two commodities in 2023. The 2024 performance reinforces GCX's role in driving price discovery, improving market accessibility, and promoting inclusion in Ghana's commodities sector.

Figure 5.13: Number of Contracts Executed



Source: Ghana Commodities Exchange, Securities and Exchange Commission, 2024

5.2 Regulatory Developments

The SEC introduced several strategic initiatives focused on market innovation, regulatory reforms, investor protection measures, and financial inclusion efforts. These initiatives were designed to enhance market depth, increase investor confidence, and expand access to financing, to promote a more resilient and inclusive capital market.

As part of the continued implementation of the Capital Market Master Plan (CMMP) and the 5-year Strategic Plan, the SEC is overhauling the Securities Industry Act, 2016 (Act 929). This revision seeks to modernise the regulatory framework, adopt a principle-based approach to regulation, strengthen investor protection, improve market efficiency, and align Ghana's capital market regulations with international best practices. A key objective is to meet the threshold required for Ghana to sign on to the Enhanced Multilateral Memorandum of Understanding (EMMOU) of the International Organization of Securities Commissions (IOSCO), ensuring that the regulatory standards are at par with global financial markets.

To broaden product offerings and improve market liquidity, the SEC approved the issuance of the Commercial Paper and Admission Rules for the market. These rules created a new market for the issuance and trading of commercial papers. The growth in this market would provide businesses with an additional financing option for working capital needs while offering investors a liquid fixed-income investment alternative. Through the provisions of these market rules, the SEC aims to deepen the capital market, attract more institutional investors, and provide corporates with more flexible funding mechanisms.

The SEC demonstrated its commitment to financial inclusion and sustainable investment by issuing the Crowdfunding and Green Bond Guidelines. The Crowdfunding Guidelines, developed in collaboration with the UN Capital Development Fund (UNCDF), enable startups and small and medium-sized enterprises (SMEs) to access capital from a broader investor base, promoting entrepreneurship and job creation. This initiative seeks to democratise investment opportunities, allowing retail investors to participate in early-stage businesses through regulated online platforms. Similarly, the Green Bond Guidelines, developed with support from the International Finance Corporation (IFC), encourage investments in environmentally sustainable projects. By introducing clear regulatory frameworks for green bonds, the SEC is aligning Ghana's capital market with global sustainability standards, to attract responsible investment, and promote long-term environmental and sustainable growth.

SEC is collaborating with development partners to issue several product guidelines. The SEC in collaboration with the African Development Bank (AfDB) developed market rules and guidelines for various capital market products, including asset-backed securities, market making, margin trading, and securities lending and borrowing. These regulatory frameworks are expected to enhance market liquidity, broaden investment opportunities, and promote a more dynamic and resilient capital market ecosystem. By introducing structured guidelines and regulatory oversight, the reforms aim to attract both domestic and foreign investors, promote financial innovation, and strengthen market confidence. The new Guidelines are set to be issued in 2025, marking an essential part of moves to align Ghana's capital market to international best practices. Furthermore, the SEC supported capital market growth by reviewing and approving multiple corporate bond issuances, while licensing note trustees and issuing houses to enhance the efficiency of capital-raising mechanisms. These efforts contributed to a more robust capital market, ensuring that both corporate and government entities have diversified funding sources to support economic development.

To consolidate industry professionalism and enhance governance structures, the SEC introduced Continuous Professional Development (CPD) requirements for market operators, directors, and professionals. This initiative ensures that industry participants remain well-informed on evolving market dynamics, regulatory updates, and best practices. Through seminars conducted during the reporting period for auditors, chief financial officials, and directors of Fund Management Companies (FMCs), the SEC promoted continuous learning to enhance compliance, mitigate risks, and cultivate a more competent and ethical capital market industry.

To enhance regulatory oversight and proactively manage systemic risks, the SEC has developed a RBS Framework, marking a shift from conventional compliance-based supervision. This initiative, supported by the African Development Bank and launched in 2022, aims to instil a culture of proactive risk management, strengthen supervisory oversight, and improve regulatory compliance. It prioritises investor protection, market integrity, and financial stability as core outcomes. To operationalise the RBS Framework, the SEC is advancing the development of an Enhanced Regulatory Compliance Portal (ERCP). This digital platform is designed to enable real-time monitoring of industry activities, risk exposures and compliance with regulatory thresholds. It incorporates advanced analytics and offsite supervision tools, allowing for early detection of vulnerabilities and a more efficient, data-driven approach to oversight. Significant progress has been made, including the completion of the RBS framework, assessment of data and IT infrastructure needs, and the commencement of training and pilot testing. This digital transformation is expected to enhance regulatory efficiency, reduce compliance costs, promote market transparency, and reinforce the SEC's capacity to maintain a resilient and well-supervised capital market.

The SEC has established a Digital Asset Task Force to evaluate and develop policy guidelines for regulating digital financial instruments. This initiative aims to promote financial innovation while ensuring investor protection and market integrity. The task force has been engaging key stakeholders, including financial institutions, fintech companies, and regulatory bodies, to develop a comprehensive regulatory framework that balances innovation with risk management. In addition, the SEC will conduct investor education campaigns to raise awareness of the opportunities and risks associated with digital assets, ensuring that market participants make informed investment decisions. Through these efforts, the SEC seeks to position Ghana as a competitive and well-regulated hub for digital financial services.

Overall, the regulatory developments witnessed during the reporting period reflect the SEC's commitment to building a resilient, inclusive, and innovative capital market. Through strategic policy reforms, enhanced investor protection measures, and targeted capacity-building initiatives, the regulator is laying the foundation for a more transparent, efficient, and competitive market. These efforts align with the broader objective of transitioning Ghana's capital market from frontier to emerging market status, promoting sustainable growth, and attracting long-term investments.

5.3 Measures to Mitigate Emerging Risks

The SEC strengthened its supervisory role to mitigate systemic risk. Systemic risk intensified as the DDEP created widespread stress across the financial sector. Liquidity constraints arising from unresolved locked-up funds and counterparty exposures posed significant challenges to market stability. In response, the SEC reinforced regulatory oversight to ensure strict compliance with investment guidelines, thereby mitigating systemic vulnerabilities. By strengthening its supervisory role, the SEC aims to uphold investor confidence and sustain financial sector stability.

To address capital shortfalls, SEC intensified the recapitalisation efforts of Capital Market Operators (CMOs). Solvency risk increased on the back of government asset impairments and declining revenues. The effect of the DDEP significantly affected both proprietary and clients' funds, straining the financial health of fund management and brokerage firms. In response, the SEC directed affected firms to restore their minimum capital levels through fresh equity injection or credible recapitalisation plans. These requirements were designed to enhance financial resilience, safeguard investor interests and preserve market integrity in the face of ongoing economic uncertainties.

To further bolster market stability and restore investor confidence, the SEC introduced an Interim Liquidity Support (ILS) arrangement for Collective Investment Schemes (CISs). This support was primarily available to fixed-income schemes, which accounted for 37 per cent of AUM in the securities industry (10% when including pension assets). The ILS Fund, established by the SEC and funded by the Government of Ghana (GoG), was administered by the Ghana Amalgamated Mutual Fund to facilitate orderly payouts to clients of resolved fund management firms. This initiative has enabled the payment of GH₵250 million, to approximately 400,000 investment requests. In the short to medium term, additional liquidity support measures are being organised to strengthen market resilience. These include the Ghana Financial Stability Fund (GFSF), designed to provide targeted liquidity relief to financial institutions affected by the DDEP.

SEC worked with government to provide relief to investors, and intensified market sensitisation to promote market confidence. Reputational risk remained a key concern due to market liquidity challenges, sovereign default risk, and diminished investor confidence. Legacy issues, including locked up funds with some FMCs, further exacerbated investor apprehension. To address these challenges and in line with the Financial Sector Strengthening Strategy (FSSS), the GoG disbursed GH₵4.46 billion in bailout funds, with GH₵3.01 billion allocated to the Asset Management Fund Tier 1 and GH₵1.45 billion to Tier 2 as of 2023. Despite these interventions, an estimated GH₵4.3 billion in claims remained outstanding. In 2024, an additional GH₵1.5 billion bailout package was allocated to customers of revoked fund management companies to increase customer confidence, of which GH₵700 million was released for disbursement. To further boost and restore investor confidence, SEC implemented proactive measures, including ensuring compliance with governance practices, promoting transparency through investor education, and the continued oversight of the execution of bailout programmes.

SEC facilitated GoG support to address emerging liquidity risks. Liquidity risk remained a significant concern as the reduced tradability of restructured securities constrained market liquidity. The decline in trading of long-term government instruments further limited liquidity for investors, particularly those in Collective Investment Schemes (CISs). To mitigate these risks, the SEC intensified investor education initiatives to promote a long-term investment outlook. The GoG also offered buyback arrangement on Daakye Trust Plc and Energy Sector Levy Act (ESLA) bonds which served as a critical intervention to stabilise liquidity conditions. The buy-back of the post-DDEP bonds was instrumental in restoring market confidence and mitigating liquidity risks in the capital markets. Furthermore, portfolio diversification strategies were encouraged to incorporate more liquid assets in portfolios to ensure market stability without compromising performance.

SEC introduced stronger regulatory measures to stem pricing, earnings and operational risks. Performance shortfalls in investment portfolios exacerbated the liquidity situation in some FMCs, impeding implementation of measures to improve market confidence. A critical issue was the widespread non-compliance with Business Continuity Planning (BCP) directives, as many Capital Market Operators (CMOs) struggled to meet these requirements due to cost and resource constraints. In response, the SEC strengthened regulatory oversight by promoting robust risk management frameworks, enhancing investor communication, and enforcing compliance with BCP directives to ensure market resilience. Furthermore, the SEC engaged the GFIM to refine pricing methodologies to reduce distortions in pricing and valuation of fixed income portfolios, contributing to greater stability in the capital markets.

CHAPTER SIX
Assessment of the Pensions Industry

6.1 Performance of the Pensions Industry

The Ghanaian pensions industry exhibited robust growth in 2024. At the end of December 2024, pension fund assets reached GH₵86.23 billion, up from GH₵61.8 billion in 2023, representing a growth of 39.5 per cent. The growth is primarily attributed to enhanced enforcement against employers defaulting on mandatory pension contributions, increased enrolment and contributions, and partial government redemption of contribution arrears. Contributing to the growth is also the favourable return on investments recorded in the period under review.

Figure 6.1: AUM Distribution (in GH₵ billion) in 2024

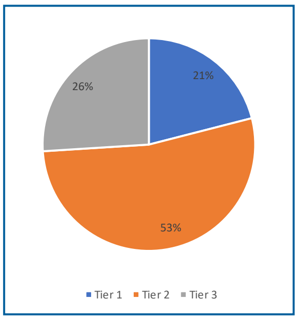
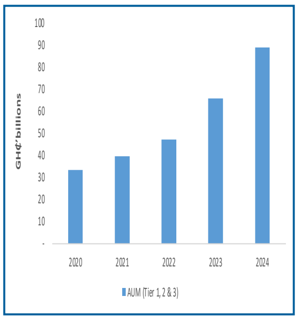


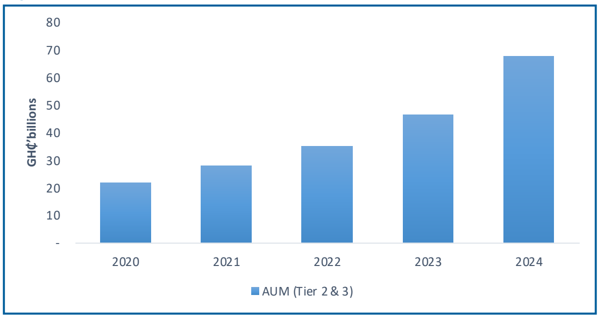
Figure 6.2: Total (Private) Pension Funds (GH₵Billions)



Source: National Pensions Regulatory Authority

The expansion of private pension schemes played a pivotal role in the industry's overall performance. Private pension funds, comprising Tier 2 and Tier 3, witnessed a 37.4 per cent increase in Asset Under Management (AUM), totalling GH₵63.88 billion compared to 32 per cent (GH₵46.50 billion) recorded in 2023. The sustained growth in the sector is attributable to better returns on investments. In the year under review, private pensions recorded an increase in enrolment, better returns on investments and improved contributions, partially resulting from the strict enforcement of the mandatory Tier 2 contributions through prosecutions. Also, in the year, the total membership across all pension schemes increased, driven by enhanced compliance and enforcement measures by the NPRA. The informal sector pension enrolment also recorded moderate growth due to intensified public education and the promotion of flexible pension products tailored to self-employed workers.

Figure 6.3: Total Private Pensions AUM (GH₵billions) Tier 2 & 3



Source: National Pensions Regulatory Authority

Pension funds were diversified into various asset classes, in compliance with the investment guidelines issued by the NPRA to balance risk and returns. Between 2023 and 2024, the asset allocation showed a gradual shift from heavy reliance on GoG securities, which decreased from 81.49 per cent to 72.92 per cent to a more diversified portfolio. Notable increases were observed in Collective Investment Schemes (from 1.46 per cent to 3.51 per cent) and Ordinary Shares/ Non-Redeemable Preference Shares (from 2.50 per cent to 5.71 per cent), indicating a growing appetite for market-based and equity investments. Some pension funds also explored alternative investments, equities, real estate, and private equity funds.

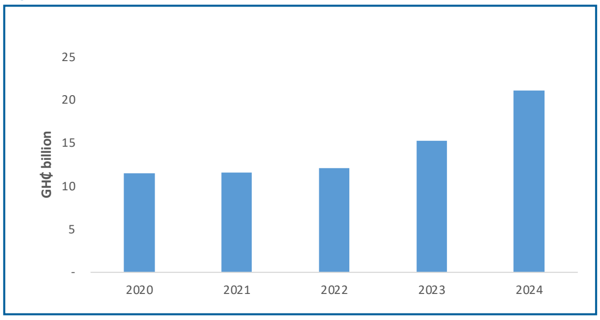
Table 6.1: Asset class allocation of pension funds as of 31.12.2024

Asset Class	2023	2024
Government of Ghana Securities	81.49%	72.92%
Local Government and Statutory Agency Securities	2.56%	0.93%
Corporate Debt Securities	0.91%	1.31%
Bank Securities and other Market Securities	8.08%	8.63%
Collective Investment Schemes	1.46%	3.51%
Ordinary Shares / Non-Redeemable Preference Shares	2.50%	5.71%
Alternative Investments	0.20%	1.09%
Cash	2.79%	5.89%
Total	**100%**	**100%**

Source: National Pensions Regulatory Authority

Pension funds under the Tier 1, Basic National Social Security Scheme (BNSSS) also recorded strong growth. The BNSSS, managed by the Social Security and National Insurance Trust (SSNIT), recorded an AUM increase to GH₵22.4 billion in 2024 from GH₵15.3 billion. This significant increase is attributable to better return on investments and the settlement of indebtedness to the scheme by the government.

Figure 6.4: AUM of BNSSS



Source: National Pensions Regulatory Authority

Figure 6.5: Benefits Paid

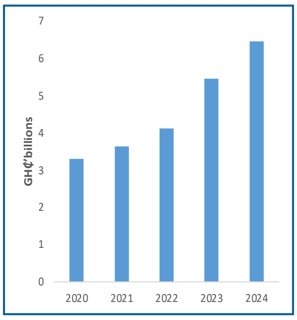
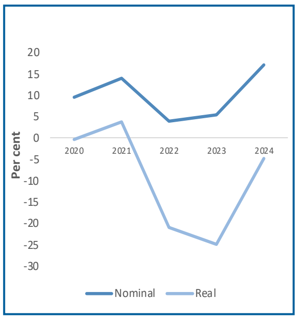


Figure 6.6: Rate of Return.



Source: National Pensions Regulatory Authority

Total benefits paid under the BNSSS increased. Benefits paid amounted to GH₵6.46 billion compared to GH₵5.46 billion recorded in 2023. The growth trend indicates a rising liability on the scheme, emphasising the importance of effective risk management to sustain solvency in the long term.

The nominal rate of return under the BNSSS also improved. Returns increased to 17.1 per cent in 2024 from 5.4 per cent in 2023. The increase reflects stronger investment performance and improved market conditions. Despite this nominal growth, the real rate of return remained negative (-4.77%) due to inflationary pressures.

Figure 6.7 Fund Ratio of the BNSSS

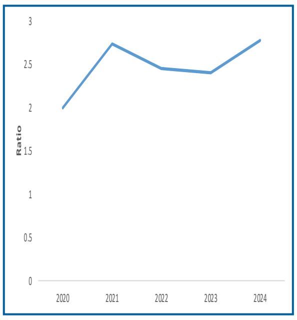
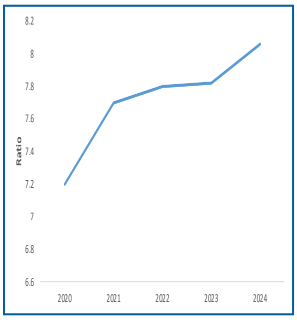


Figure 6.8 Dependency Ratio



Source: National Pensions Regulatory Authority

The dependency ratio under the BNSSS increased. Under the scheme, the number of contributors per 100 pensioners increased to 800 in 2024 from 782 in 2023. The increase from the previous year shows a continuation of the trend toward a more favourable balance between active contributors and pensioners.

The fund ratio under the BNSSS also increased. In 2024, the scheme recorded a fund ratio of 2.97, which is an improvement over the 2.41 recorded in 2023. In essence, for every liability of GH₵1.00, the scheme had GH₵2.78 worth of assets.

6.2 Regulatory Developments

The monthly pension under the BNSSS was indexed in December 2024 to reflect prevailing macroeconomic conditions. SSNIT, in consultation with the NPRA, increased monthly pensions by a fixed rate of 8 per cent and a flat amount of GH₵72.58, resulting in an effective increase in monthly pension of 12 per cent for 2025. As a result, the minimum monthly pension of GH₵300 in 2024 for existing pensioners will increase to GH₵ 396.58 in 2025. The minimum pension for new pensioners in 2025, however, has been maintained at GH₵300.00.

The RBS software was fully deployed. Having deployed a transitional model of the system in 2023, the NPRA fully deployed the RBS software in 2024. This automation aims to facilitate real-time monitoring, enhance service accessibility, and improve regulatory efficiency.

The NPRA took legal action against employers defaulting on Tier 2 contribution payments. A total of 12 employers were prosecuted for non-compliance with their statutory obligations. Consequently, the NPRA recovered GH₵5.02 million in outstanding contributions. This initiative is aimed at safeguarding the retirement benefits of affected employees and reinforcing the importance of timely pension remittances. The NPRA remains committed to ensuring retirement income security for all workers in Ghana.

6.3 Measures to Mitigate Emerging Risks

As the pensions industry evolves, it faces a range of emerging risks driven by economic, demographic, technological, and environmental changes. To maintain stability, trust, and long-term sustainability in the industry, the NPRA is proactively identifying these risks and implementing mitigation strategies. The table below outlines key emerging risks and the corresponding measures being adopted by the NPRA to address them.

[1]The dependency ratio measures the number of contributors per pensioner.
[2]The fund ratio expresses a ratio between the scheme's available assets and liabilities.

Table 6.2: Measures to Mitigate Emerging Risks

Emerging Risk	Description	Mitigation Strategies
1. Macroeconomic Volatility	Inflation, cedi depreciation, and interest rate fluctuations erode real rate of investment returns.	-Revision of the Guidelines on Investment of Tiers 2 and 3 Pension Scheme Funds to promote diversification. - Strengthen scenario analysis and stress testing.
2. Low Financial Literacy and Mistrust	Limited understanding of pensions and historical mistrust reduce participation and compliance.	- Launch financial literacy campaigns and sensitization programmes.
3. Difficulty onboarding informal sector workers	Fragmented and dispersed nature of informal workers have posed challenges for the onboarding process. Additionally, irregular incomes have dissuaded informal workers. .	- Leverage digital tools for onboarding and target informal workers through unions. - Design tailored micro-pension products.
4. Tech Disruption and Cybersecurity	Increased cyber threats due to digital pension platform and poor ICT Infrastructure in some regulated entities.	- Enforce cybersecurity audits. - Standardize ICT Infrastructure across the Pension Industry. - Conduct regular penetration testing and staff training . - Enforce the Guidelines on ICT Requirements for Trustees.
5. Unfavourable Demographic Shifts	Increasing life expectancy and a declining birth rate in Ghana may strain pension systems, especially the BNSSS, as the number of retirees grows while the pool of contributors shrinks.	-Enforce regular actuarial reviews of the BNSSS to adjust contributions as needed. -Ensure prudent management of pensions funds.
6. Climate-Related Risks	Investment losses from physical climate events.	-Integrate Environmental, Social and Governance (ESG) practices into investments. -Increase green investment exposure. - Require climate risk disclosures.

Source: National Pensions Regulatory Authority

The sustainability of Ghana's pensions industry remains a priority. While AUM growth is encouraging, increasing benefit payouts and high inflation pose long-term risks. Settlement of debt by defaulting employers remains crucial to the sustenance of the BNSSS. Additionally, continued regulatory oversight and policy interventions, and sustained macroeconomic recovery will be essential in maintaining stability in the industry and ensuring retirement income security.

CHAPTER SEVEN
Assessment of the Resilience of the Financial Sector

7.1 Stress Tests of the Banking Industry

Overview

The stability of the banking sector remains critical in preserving financial system stability in Ghana. Given that the banking industry accounts for over 75 per cent of the financial sector's asset size and remains heavily interconnected with other industries within the financial sector, the assessment of the resilience of the financial system focuses on tail events/shocks to the banking industry.

The BoG assessed the resilience of the banking industry to emerging tail risks. This report presents the stress test assumptions and results utilising December 2024 macrofinancial data. The stress test exercise assessed the resilience of the industry to sovereign risk (Eurobond restructuring), credit risk (elevated credit default), liquidity risk (plausible bank runs) and market risk (extreme movements in exchange and interest rates). The sovereign risk stress test was interacted with the other stress tests to evaluate the implications of extreme credit, market and liquidity shocks on banks' resilience following adjustments for impairments arising from the Eurobond restructuring. The hurdle CAR used to determine resilience to shocks was 13 per cent, the pre-DDEP minimum CAR threshold. The assumptions underlying the stress tests are captured in Box 7.1, while the results of the stress tests are discussed thereafter.

Box 7.1: Assumptions Underpinning the Stress Tests of the Banking Industry

Sovereign Risk Assessment

The sovereign risk assessment evaluated the impact of the Eurobond restructuring on the banking sector. The assessment was based on the Memorandum of Exchange for the Eurobonds and the recommended discount rates range (8 – 11 per cent) by the Institute of Chartered Accountants Ghana (ICAG) for the fair valuation of restructured Eurobonds. The Memorandum of Exchange allowed investors to either opt for Disco bond, Par bond, or a combination of both, subject to a total cap of US$ 1.6 billion for the Par bond. The key terms and conditions of the Eurobond restructuring are presented below.

Instruments	Principal Allocation	Principal Haircut	Cap	Interest Rate (immediately after the exchange)	Amortisation Schedule/ Maturity
Option 1 – Par			USD1.6 billion of the total USD13.1 billion		
Consent Fee - 1%	-	-		-	Paid immediately
Down Payment Bond	4%	0%		0%	5 semi-annual instalments: starting from the exchange date up to July 2026
Bond Par	96%			1.5%	3 semi-annual instalments: January 2036 - Jan. 2037.
Option 2 – Disco			No Cap		
Consent Fee – 1%	-	-		-	Paid immediately
Down Payment Bond	4%	37%		0%	Same terms as Par Option
Bond Short	24.2%			5% until July 2028 and 6% afterwards	8 Semi-annual instalments: January 2026 - July 2029
Bond Long	34.8%				12 semi-annual instalments: January 2030-July 2035
Other					
Post-Default Interest (PDI) Bond	63%	37%	No Cap	0%	12 semi-annual instalments: starting from the first exchange date up to January 2030

Credit Risk Stress Test

The credit risk stress test assesses the robustness of the industry's solvency to an extreme but plausible deterioration in the quality of loan assets. The impact of the deterioration in credit quality on the solvency position is estimated using the loan migration model. The loan migration model stresses banks' loan portfolios through reclassification of loans to reflect a higher degree of loan impairments under the following assumptions:

a. Average annual growth rate in gross loan covering the past 5 years persists in the short-term (one year ahead);
b. The migration rates recorded under each of the past due loan categories (other loans especially mentioned, substandard, doubtful and loss) since 2010 increase by:
   i. Mild shock: 1 standard deviation (SD) with an additional assumption that 5 per cent of current loans migrate to doubtful.

ii. Severe shock: 2SD with an additional assumption that 10 per cent of the current loans migrate to doubtful.

c. Loan collaterals are neither considered nor deductible from the loan except for cash collateral; and
d. The current provisioning rules are maintained.

Interest Rate Stress Test

The interest rate shock assesses the mismatches that arise from interest rate sensitive assets and liabilities over a specified time horizon. The assessment in this report utilises the repricing gap model, which calculates the changes in interest income and expenses resulting from the "gap" between the holdings of assets and liabilities within the assumed repricing horizon. The "gap" in each time-to-repricing bucket shows how net interest income will be affected by a given change in interest rates.

The model is simulated under the following assumptions:

a. Interest rate shock amounting to +/- 2 standard deviations of the average 91-day treasury bill rate (15.3 and 11.0 percentage points increase and decrease, respectively) from 2019Q1 to 2024Q4 were applied;
b. The shock takes the form of a parallel shift of the yield curve for all interest-bearing instruments across all currencies; and
c. The time-to-repricing is up to one year (horizon)

Exchange Rate Stress Test

Exchange rate risk focuses on shocks to assets and liabilities emanating from foreign exchange market volatilities. The exchange rate risk stress test utilises the net open position approach. The scenario assessed the direct impact of variations in the exchange rate on the banks' Net Open Positions (NOPs). The main assumptions include:

a. A change in the exchange rate leads to a proportional change in the domestic currency value of the institutions' NOP; and
b. A worst-case scenario representing +/-2.0 SD of the mean depreciation/ appreciation of the US Dollar/ Cedi exchange rate from 2019Q1 to 2024Q4. The estimated annual exchange rate shocks were:
    i. + SD: 42.25 per cent depreciation
    ii. -2 SD: 9.86 per cent appreciation

Liquidity Stress Test

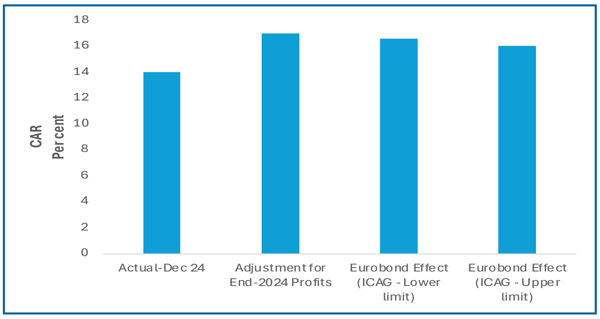
The liquidity risk stress test utilizes the systemic withdrawal model, which assumes a system-wide run on banks over a specified number of days. The systemic withdrawal model evaluates the impact of a panic withdrawal on the liquidity positions of banks. Specifically, it assesses the liquidity of banks after an assumed run on the bank (up to 30 days). An institution with sufficient liquidity to meet the withdrawal needs during a bank run is deemed to have survived the shock. The model was run under the following assumptions:

a. Deposits withdrawn per day: 1%, 2%, 3%, or 4%
b. Number of days after the start of the systemic event: 30
c. Liquid assets available in a day: 95%
d. Other assets available in a day: 0%
e. Percentage of Government bonds assumed to be illiquid: 0% or 100%
f. Claims on foreign banks illiquid in foreign currency: 0%

Sovereign Risk Assessment

Eurobond restructuring had limited adverse solvency impact on Banks. Banks in anticipation of the Eurobond restructuring had booked some impairment against their Eurobond holdings since 2022. The stress test results showed that 86 per cent (using 8% discount rate) and 73 per cent (using 11% discount rate) of the total impairment had actually been booked by banks as at end-December 2024. As a result, banks were expected to book limited additional impairments with minimal implications for solvency conditions. The retention of 2024 profits are expected to moderate the impact of the Eurobond restructuring on solvency. The industry's CAR could increase from 14.0 per cent at end-December 2024 to 17.0 per cent following the retention of all 2024 profit, before plausibly declining to 16.0 per cent after making the necessary provisions against the restructured Eurobonds.

Figure 7.1: Results of Sovereign Risk Stress Test

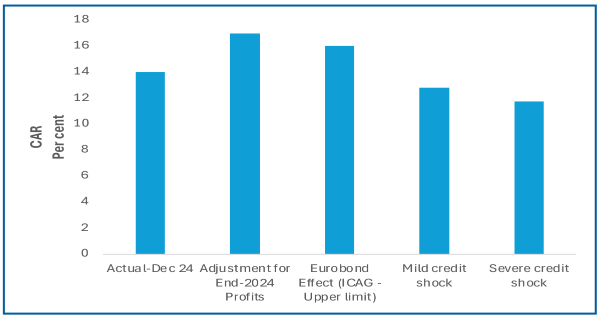


Source: Bank of Ghana

Credit Risk Stress Test

Deterioration in credit quality could pose some challenges for the banking industry. NPLs have been declining after peaking in March 2024 at 26.74 per cent from 20.58 per cent in December 2023 before ending the year 2024 at 21.79 per cent. The slowdown in NPL build-up was partly explained by the recent macroeconomic recovery. It is expected that if macroeconomic recovery is sustained, NPL build-up would slow significantly over the next year. If macroeconomic conditions deteriorate, leading to a significant deterioration in credit quality, the industry CAR may reduce to 11.8 per cent over the one-year horizon. The results underscore the need for a sustained macroeconomic recovery, sound credit risk management and improved recapitalisation drive anchored on fresh capital injection and improved profitability. The BoG will continue to work closely with banks to improve adherence to credit risk management framework and ensure early recognition of and provisioning for non-performing loans.

Figure 7.2: Sovereign and Credit Risk Stress Test Results

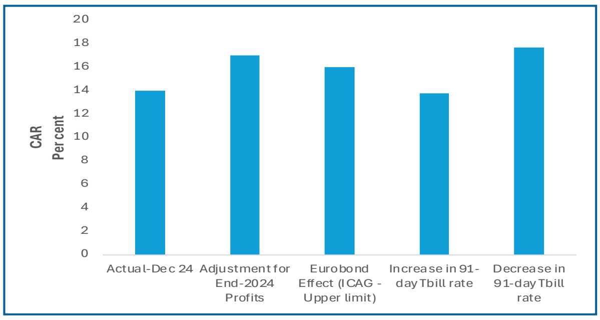


Source: Bank of Ghana

Interest Rate Stress Test

The banking industry remains robust to interest rate risk. The results of the exercise revealed that a 2 SD increase in interest rates persisting over a one-year horizon would decrease CAR to 13.8 per cent from 16.0 per cent. On the other hand, a 2 SD decrease in interest rates would increase CAR to 17.7%. This is because more liabilities would reprice over the one-year horizon compared to assets.

Figure 7.3: Sovereign and Interest Rate Risks Stress Test Results

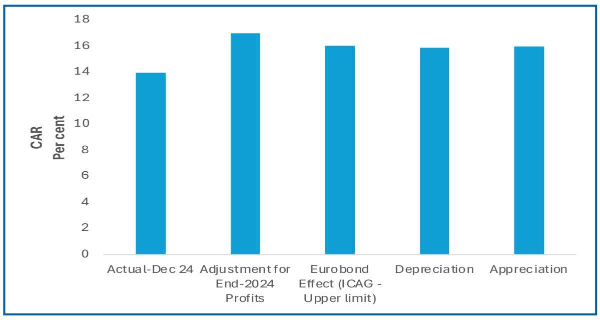


Source: Bank of Ghana

Exchange Rate Stress Test

Exchange rate fluctuations have a minimal direct impact on solvency conditions in the banking sector. The result indicates that an unexpected significant change in the value of the Ghana Cedi against the US Dollar would have minimal direct impact on the solvency of banks, reflecting the existing limits on the Net Open Position (NOP) within the banking industry.

Figure 7.4: Sovereign and Exchange Rate Risks Stress Test Results



Source: Bank of Ghana

Liquidity Stress Test

Liquidity risk remains well-contained in the banking industry, provided GoG bonds are liquid. The stress test revealed that most banks would survive daily deposit withdrawals of 1 per cent to 4 per cent for 30 days if the GoG bonds market were liquid. However, some banks would not survive a run of more than 2 per cent of daily deposits withdrawal for 30 days, in case the GoG bond market is illiquid.

Table 7.1: Results of Liquidity Stress Test: Bank run model.

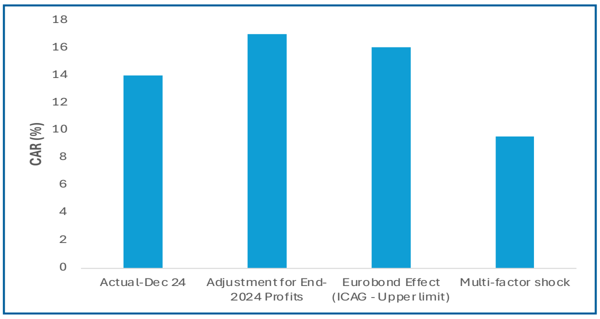
Assumed proportion of GoG bonds illiquid	No. of banks surviving liquidity stress or bank run				
	Baseline	1%DW	2%DW	3%DW	4%DW
0%	23	23	23	21	19
100%	23	21	18	10	6

Source: Bank of Ghana

Multifactor Stress Test

Deterioration in credit quality amid depreciation and hike in interest rate could adversely impact on the banking industry. The multi-factor stress test combined system-wide deterioration in credit quality, exchange rate depreciation, and interest rate increase. Following a post-Eurobond restructuring multifactor shock, the stressed CAR of the industry stood at approximately 10.0 per cent, below the pre-DDEP required minimum CAR threshold but consistent with the revised minimum CAR threshold of 10 per cent. The results suggest that improvements in asset quality, exchange rate stability, and a steady decline in interest rates over a one-year horizon would be beneficial to banking sector soundness and resilience.

Figure 7.5: Results of Multi-Factor Stress Test



Source: Bank of Ghana

Summary and Outlook

The stress test revealed that the resilience of the banking industry has improved. This development reflects improved profitability, capital injection and sustained liquidity in the banking sector, post DDEP. The stress test results showed that the expected effect of Eurobond restructuring was minimal on the solvency of banks, given that banks had pre-emptively booked significant impairment losses against Eurobond holdings. While a mild increase in non-performing loans appeared well contained in the banking industry as a result of improved capital adequacy, the banking industry was vulnerable to severe impairments in credit. Risks emanating from adverse exchange and interest rate movements as well as liquidity pressures were well contained due to tight limits on net open positions, sound management of maturity mismatches and adequate liquidity in the banking industry. Despite the improved stability at the industry level, some vulnerabilities exist among a few institutions. However, in the near to medium term, it is expected that a robust macroeconomic recovery, sustained profitability, stronger shareholder support, and improved risk management practices of banks amid enhanced supervisory oversight would improve the soundness and the stability of the banking industry.

7.2 Assessment of Stock Market Resilience

Overview

Assessment of the equities market focuses on the performance of the GSE using the Stock Market Performance Index (SMPI). The SMPI captures four dimensions of the GSE performance: size, access, efficiency, and stability of the market. These indices provide a broader view of the status of the market and help identify potential risks that may arise. An exchange with increasing size, efficiency, and stability will broadly be more resilient to shocks. On the contrary, a decreasing access dimension representing a lower market concentration indicates better resilience to shocks.

Size Dimension

The size dimension of the SMPI improved in 2024. The size dimension of the stock market captures the resource mobilisation potential of the market. At end- December 2024, the index for the size dimension increased to 0.09 from 0.07 recorded for the same period in 2023. The increase was driven by a surge in the market capitalisation to GDP ratio, the turnover ratio, and the total value of stocks traded to GDP.

Access Dimension

Stock market activities appeared concentrated on a few stocks, making it vulnerable to swings in these equities. The access dimension captures market concentration and is measured by the Herfindahl-Hirschman Index (HHI), the share of the largest ten firms in terms of market capitalisation and the share of the top ten firms in terms of total trading volumes. At end-December 2024, the index for the access dimension remained unchanged at 0.39.

Efficiency Dimension

The proportion of listed equities that recorded no price change declined in 2024. The percentage of shares with zero returns is used to measure pricing efficiency on the market. The index for the efficiency dimension increased to 0.23 at end-December 2024 from 0.18 at end-December 2023. The improvement in efficiency reflects the reduction in the percentage of shares with zero returns to 35.48 per cent at end-December 2024, from 40 per cent at end-December 2023.

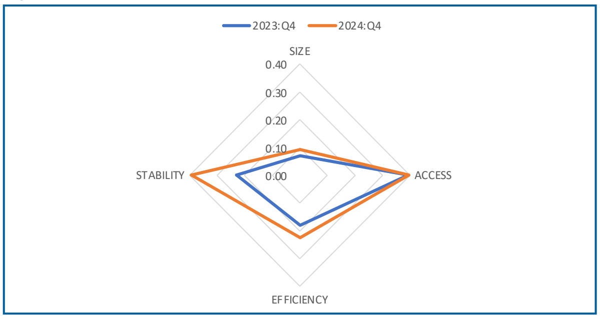
Stability Dimension

The stability dimension of the stock market improved in 2024. Stability is measured by the price-to-earnings ratio, price volatility index, and the percentage of stocks with negative returns. At end-

December 2024, the index for the stability dimension increased to 0.39 from 0.23 at end-December 2023. The improvement in the stability index was on account of a reduction in the percentage of shares with negative returns which declined to 12.9 per cent at end-December 2024 from 33.3 per cent at end-December 2023.

.

Figure 7.6: Stock Market Performance Index

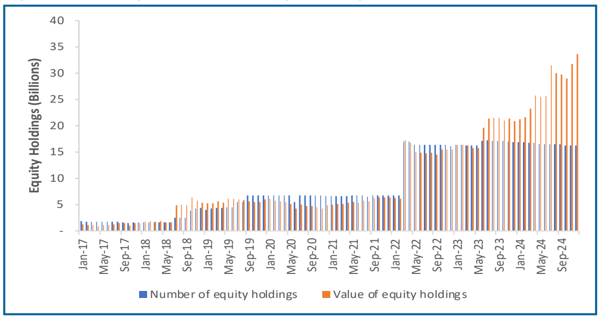


Source: Ghana Stock Exchange

7.3 Risk of Capital Flight

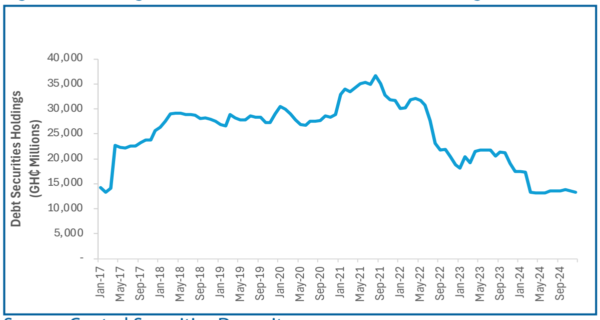
Activity of foreign investors in the capital market was quite mixed. Whilst the value of equity security holdings by foreign investors increased, the value of their debt security holdings decreased during the period under review. Foreign investors' debt holdings decreased to GH₵13.4 billion at end-December 2024, compared to an amount of GH₵17.5 billion at end-December 2023. Conversely, the value of foreign investors' equity holdings increased to GH₵33.6 billion at end-December 2024, from GH₵20.9 billion at end-December 2023. This reflected the improved performance of the stock market. Foreign investors' presence in the debt market is expected to improve on account of sustained macroeconomic recovery and favourable economic prospects.

Figure 7.7: Foreign Investors' Equity Holdings



Source: Central Securities Depository

Figure 7.8: Foreign Investors' Total Debt Securities Holdings



Source: Central Securities Depository

CHAPTER EIGHT
Special Features

8.1 Assessing the Contribution of the Collateral Registry to Ghana's Financial Inclusion Agenda

Introduction

The pursuit of sustainable financial inclusion has become a matter of priority and urgency, especially in developing economies. Beyond the potential of being able to uplift the millions of financially underserved from the unending cycle of poverty, an inclusive financial system contributes towards greater social, economic, and political stability, which are vital ingredients for growth . The ability of a society to provide its members with access to financial services directly correlates with reduced economic vulnerability, decreased income inequality, and lower unemployment rates.

An Effective collateral registry plays a critical role in enhancing access to credit for MSMEs. Over the years, there have been global efforts to promote financial inclusion, particularly in Emerging Markets and Developing Economies (EMDEs), including the provision of a legal framework for secured transactions and collateral registries. These have contributed to private sector growth by creating an enabling environment that promotes access to credit, particularly for MSMEs. By this framework, lenders' and borrowers' rights are established; asymmetric information is reduced; and an efficient collateral regime is sustained.

As part of efforts to promote access to credit in Ghana, the BoG set up the Collateral Registry in 2010. This followed the enactment of the Borrowers and Lenders Act, 2008 (Act 773), repealed and replaced with the Borrowers and Lenders Act, 2020 (Act 1052). This Act allows for the registration of security interests in assets (movable and immovable) presented as collateral to secure credit facilities. The Ghana National Financial Inclusion and Development Strategy (NFIDS), 2018 – 2023, developed in 2015 to address the fundamental barriers preventing the underserved population from accessing financial products and services, largely aligns with the mandate and functions of the Collateral Registry. Specifically, Pillar III: Financial Infrastructure, among others, aims at increasing the availability of information on borrowers, which very much supports the Registry's function of providing a platform for the registration of security interests.

The establishment of the collateral registry allows for the acceptance of a wide array of movable assets as collateral. Prior to the establishment of Ghana's Collateral Registry, MSMEs and individuals' access to credit were mostly impeded by heavy reliance on immovable assets as collateral by lenders, weak secured legal transactions framework, asymmetric information, high cost of credit, and limited financial records, among others. With the establishment of the Collateral Registry, an enabling environment has been created for the acceptance of a wide array of movable assets as collateral, such as vehicles, machinery, receivables, and inventories. The Registry plays a pivotal role in promoting financial inclusion as MSMEs, which are not likely to own titled properties, such as land and buildings, would be able to use movable assets as collateral to access credit.

Trends in the Global Secured Transactions Ecosystem

Secured transactions laws and collateral registries have had a dramatic impact on economic development. Collateral provides the basis for free-flowing credit markets, reducing the potential losses lenders face from non-payment. While land and buildings are widely accepted as collateral for loans, the use of movable collateral (such as inventory, accounts receivables, crops and equipment) is restricted because many countries do not have functioning laws and registries to govern secured transactions. Well-designed secured transactions frameworks contribute to robust financial systems by promoting credit diversification, facilitating the channelling of credit that relies less on immovable collateral. Lenders benefit from these systems by:

a. being able to diversify their portfolios with loans secured with movables, including more liquid assets such as receivables and bank accounts;
b. having access to information on potentially competing security rights in movable assets and their priorities;
c. strengthening their risk management policies by making more informed credit decisions; and
d. being able to protect their interest in assets pledged as collateral by borrowers against third-party claims.

Globally, efforts at boosting a secured transactions ecosystem have largely been focused on creating modern, efficient, and transparent systems. Harmonisation of secured transactions laws and systems is at the heart of current international coordination. Organisations like the International Institute for the Unification of Private Law (UNIDROIT), the United Nations Commission on International Trade Law (UNCITRAL), and the Hague Conference on Private International Law are effectively collaborating to achieve this goal. The UNCITRAL model law on secured transactions for instance provides a framework for countries to modernise their secured transactions regimes, promoting predictability and consistency. EMDEs such as South Africa, Nigeria and Kenya have commenced the modernization of secured transactions law reforms. In Asia, Singapore has instituted a well-established secured transactions regime with a unified concept of security interest. These developments are aimed at strengthening a secured transaction

[1]Closing remarks by Mr. Muhammed bin Ibrahim, Deputy Governor of the Central Bank of Malaysia, Alliance for Financial Inclusion (AFI), 2010.

regime and by extension enhancing financial inclusion in emerging economies. Again, many countries are implementing electronic registration systems to facilitate the registration and searches of security interests, reducing costs and increasing efficiency. Efforts are being made to simplify and codify laws related to secured transactions, in a bid to making it less arduous for businesses especially MSMEs to understand and comply with them.

Collateral Registry of Ghana – An Effective Mechanism for Secured Lending

The Collateral Registry of Ghana (the Registry), the first of its kind in Africa, provides an effective mechanism for secured lending. The Registry was operationalised by the Bank of Ghana on February 1, 2010, under the Borrowers and Lenders Act 2008, (Act 773), now repealed and replaced by the Borrowers and Lenders Act, 2020 (Act 1052). Section 18 of Act 1052 established the Collateral Registry to principally register security interests created by borrowers in favour of lenders. In addition to registrations, the Registry makes available to the public, information relating to security interests in property and assists with realisations of security interests, among others. The creation and mandate of the Registry was a response to the problems in Ghana's credit market which stifled the flow of credit to the economy, in particular MSMEs. For example, lenders had no effective means of knowing whether there were any existing security interests in collaterals being provided by borrowers. This resulted in numerous and protracted court proceedings as well as a substantial rate of NPLs recorded in the books of lenders. Similarly, members of the public who wished to procure movable or immovable property such as cars and houses had no effective means of ascertaining whether such properties had been used to secure a loan.

The Registry also creates an avenue for easy and cost-effective means of enforcing security interests. The establishment of the Registry ushered Ghana into a secured transactions regime which establishes an order of priority of security interests, credit agreements, registration and enforcement of security interests, and other related matters. Under these secured transactions regime, the mechanism for enforcing security interests among other things has significantly improved. For example, a lender, pursuant to Section 61(b) of Act 1052, has the option of realising a security interest registered under Act 1052, without initiating proceedings in court, which may be costly. In this regard, the Registry is contributing significantly towards creating an enabling environment to ensure access to credit and ultimately make significant contributions to the country's financial inclusion agenda.

The Registry has witnessed tremendous improvement in the usage of its services. In 2024, the usage of the Registry's services witnessed a sharp increase on account of the intensive on-site and off-site surveillance of Regulated Financial Institutions (RFIs), sensitisation, and training programmes. Overall, the Registry has cumulatively recorded a sustained growth in the volumes of registrations, searches, and discharges. Total volume of secured loans registered in 2024 grew by 66.3 per cent to 382,215, from 229,903 registrations recorded in 2023. The value of secured loans granted and registered by RFIs in 2024 was GH₵29.3 billion, a 29.6 per cent year-on-year increase from the 2023 value of GHS 22.6 billion. Banks accounted for the largest share with 73.2 per cent, followed by SDIs with a 26.8 percentage share. Nearly 400,000 MSMEs and Individual borrowers received secured loans in 2024, representing a 70 percent increase from the previous year volume of approximately 230,000 secured loans. Beneficiaries included about 370,000 individual borrowers and almost 220,000 MSMEs. Total number of collateral registration discharges on the other hand rose by 25.2 per cent to 192,158 discharges in 2024, from 153,470 discharges in 2023.

Assessing Key Milestones of the Registry.

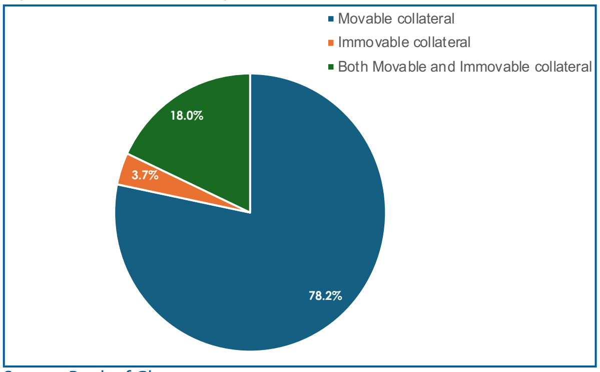
The Collateral Registry has in the last fifteen (15) years embarked on a series of reforms geared towards promoting access to credit and fostering financial inclusion. These reforms have mainly centered on strengthening the secured transactions regime to meet international standards and address emerging challenges in the credit market. The Registry's journey and associated successes have effectively evolved around the following thematic areas:

a. Diversification of assets pledged as collateral (Pre and Post Registry)
b. Share of MSMEs access to secured credit
c. Gender gap in access to secured credit
d. The Registry as a critical source of information

Diversification of Assets Pledged as Collateral

The Registry has provided the avenue for agents to register their interest in a security and use movable assets to access credit. Registration of security interests on an aggregate level increased significantly from 10,413 registrations in 2010 to 382,215 registrations at the end of 2024. Between 2010 and 2024, a total of 1,437,075 secured loans (i.e. either movable or immovable assets) had been registered with the Collateral Registry. Analysis of data from the Registry between 2010 and 2024 revealed a significant increase in the acceptance of movable collaterals. Of the nearly 2.5 million collaterals pledged as security, movable collateral accounted for 78.3 per cent while immovable assets constituted 3.7 per cent. Loans secured with both movable and immovable collateral stood at 18.0 per cent. Operationalisation of the Registry has indeed ushered the country into an era for the adoption of movable assets (i.e. inventories, stocks, machinery and consumer goods among others) in securing loans.

Figure 8.1: Collaterals Pledged as at 2024

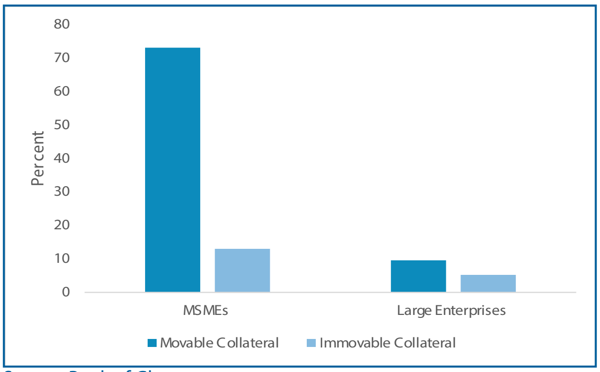


Source: Bank of Ghana

Share of MSMEs access to secured credit

There has been notable shift in lenders' preference toward accepting movable assets over immovable assets as collateral between 2019 and 2024. This shift is especially pronounced among MSMEs, where the difference in the use of movable versus immovable collateral far exceeds that observed in large enterprises. The number of unique MSMEs that received secured credit in 2024 was 8,764, an increase from 8,297 in 2023 and 7,712 in 2022. This trend points to a steady increase in the number of MSMEs that have accessed credit over the years. Out of the total loans secured with collateral in the industry, MSMEs accounted for 73 per cent using movable collateral and 13 per cent using immovable collateral. In contrast, large enterprises secured 9.5 per cent of loans with movable collateral and 5.2 per cent with immovable collateral. This variation reflects a giant step in the country's prospects to achieving substantial growth in access to financial services.

Figure 8.2: Percentage Share of Collateral Registered by Borrower Type



Source: Bank of Ghana

Gender Gap in Access to Secured Credit

Access to Secured Loans by Gender

Bolstered by the opportunity to secure credit with movable assets, women's access to credit has improved remarkably over the past decade. Women recipients of secured credit rose sharply by 79.5 per cent to 339,241 in 2024, from 189,006 in 2023. Men recipients on the other hand increased by 10.6 per cent to 44,753 in 2024, from 40,447 in 2023. In terms of the composition of female borrowers, 99.4 per cent were individuals who accessed secured loans from various lenders, a marginal increase from the 98.7 per cent recorded in 2023, while the number of MSMEs owned by women that accessed secured loans recorded a decline in share to 0.7 per cent in 2024 from 1.2 per cent in 2023.

Table 8.1: Total Number of Female Borrowers

Gender	2024	2023	2022
Individual women	337,044	186,703	138,018
Women-owned MSMEs	2,197	2,303	1,836
Total	339,241	189,006	139,854

Source: Bank of Ghana

Table 8.2: Total Number of Male Borrowers

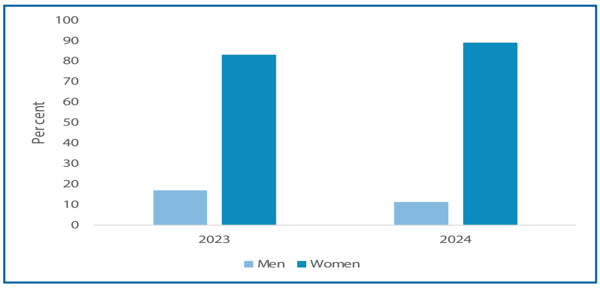
Gender	2024	2023	2022
Individual men	36,773	32,741	31,771
Men-owned MSMEs	5,956	5,683	3,233
Total	44,753	40,447	37,026

Source: Bank of Ghana

Value of Secured Loans Advanced to Women

Comparatively, women entrepreneurs and individuals received more credit in terms of the volume of secured credit extended as compared to men. Available information from the Registry showed that in 2024, 89.0 per cent of the total volume of secured loans were extended to women, who were mostly classified as part of the underserved community. This represented an increase from the percentage share of 83.0 per cent recorded in 2023. On the other hand, 11.0 per cent of the total volume of secured loans were extended to men in 2024, a decrease from the percentage share of 17.0 per cent recorded in 2023.

Figure 8.3: Gender Comparison - Volume of Secured Loans Extended

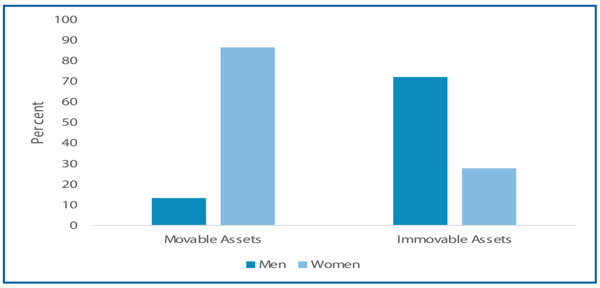


Source: Bank of Ghana

Classification of Assets Pledged as Collateral – Gender Comparison

In 2024, women predominantly pledged movable assets as collateral, while men mostly used immovable assets to secure loans. Gender disaggregated data in 2024 shows that women accounted for 86.7 per cent of movable assets used as collateral to secure loans whereas men accounted for the remaining 13.3 per cent. Regarding immovable assets, women accounted for 27.8 per cent whereas men accounted for 72.2 per cent. This reflects the likelihood of women to own fewer immovable assets. Therefore, the acceptance of movable assets as collateral has created an enabling environment for them to obtain capital for business expansion. The major types of collateral used by women entrepreneurs/individual borrowers in Ghana to secure loans are cash collateral, stocks and inventories, and consumer/household goods. One positive impact of the operationalisation of the collateral registry and secured transactions legal framework could be seen in the growth of secured credit to women and the general acceptance of movable assets by lenders in the country.

Figure 8.4: Volume of Secured Loans Extended.

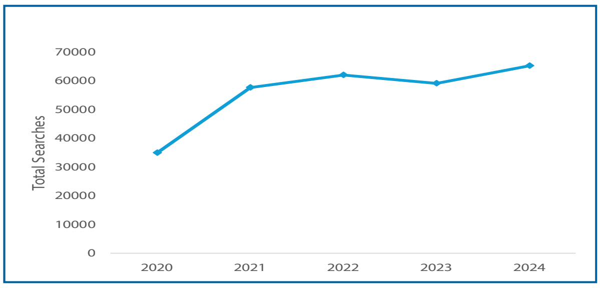


Source: Bank of Ghana

The Registry as a Critical Source of Information

The secured transactions framework has reduced information asymmetry between lenders and borrowers. The Registry has supported credit risk management by providing an electronic platform for lenders to perform searches to know whether an asset presented by a potential borrower has been pledged as collateral or not. This was not the case prior to the establishment of the Collateral Registry in 2010. Total number of searches conducted by lenders and the general public from 2010 to 2024 have increased significantly to 65,267 as at end - 2024, from 3,889 searches in 2010. Overall, a total of 438,610 searches have been conducted on the Registry's platform between 2010 and 2024. The availability of information on borrowers and assets presented as collateral plays a key role in mitigating credit risk and this has emboldened lenders to extend credit to borrowers, thereby promoting inclusive finance.

Figure 8.5: Trend in Searches Conducted



Source: Bank of Ghana

Conclusion and Outlook for the Next 5 Years

Ghana has made giant strides in its financial inclusion strategy thanks to the role the Registry has played in the promotion of responsible lending. According to the 2021 Ghana Demand–Side Survey report, approximately 96 per cent of the country's adult population has access to financial services. This marks a considerable increase from 41 per cent in 2010 and exceeding the targeted 85 per cent in 2023 under the NFIDS. The tremendous surge in financial inclusion may largely be attributed to the spread of mobile money and government commitment to driving digitization and innovation in payment systems. However, the secured transactions regime adopted by the country in 2010 has also contributed to this overwhelming feat. It is worth noting that the Registry has over the years led efforts at achieving the key priority policy actions set under Pillar III – Strengthening secured transactions and collateral framework in the 2015 NFIDS .

Going forward, the Registry is expected to strengthen its role of promoting responsible lending for economic growth and development. In view of the several successes of the Registry in the last 15 years towards achieving its mandate and by extension Ghana's financial inclusion agenda, it remains resolute in safeguarding and consolidating the gains made over the years. In furtherance of its objective to promote access to credit and financial services, the Registry has developed a 5 – year strategy to among others, undertake the following:

a. **Movable Asset-Based Lending project** – The Collateral Registry will collaborate with the International Finance Corporation (IFC) under the Movable Asset-Based Lending (MABL) project to promote access to finance for smaller enterprises, women-owned businesses and underserved individuals.
b. **Revision of prudential guidelines for the movable asset collaterals** – The Collateral Registry will collaborate with the IFC under the MABL project to consider the review of prudential guidelines and supervisory practices in terms of classification, valuation and treatment of movable asset collaterals under the lending portfolios of financial institutions.

[2] *Page 45, Republic of Ghana, National Financial Inclusion and Development Strategy (NFIDS) 2018-2023*

c. **Integrating the Collateral Registry Application System (CRAS) with other registries** – The Registry will continue its collaboration with other registries such as the Lands Commission, Drivers and Vehicle Licensing Authority (DVLA), and the Office of the Registrar of Companies (ORC) to ensure an effective synchronisation of data across the registries.
d. **Legal Reforms** – The BoG together with key stakeholders will embark on legal reforms aimed at strengthening the secured transactions legal framework. This would be achieved through the review of the legal framework, rules/guidelines and operational directives.
e. **Public awareness and training programmes** – The Registry will embark on public awareness creation and training programmes for financial institutions and borrowers on the provisions of Act 1052 and the operations of the Registry.
f. **Technological advancement** – The Registry will adopt modern technologies to ensure the continuous improvement of the Registry's platform in line with international best practices.

This Special feature is written by
Collateral Registry Department
Bank of Ghana

8.2 Regulatory Developments and Mitigating Measures to Emerging Risks in Fintech and Payment Systems

The Ghanaian payments ecosystem experienced substantial growth in 2024, driven by mobile money expansion, government support, and technological advancements. The Ghanaian payments ecosystem has witnessed substantial expansion over the last decade. The significant growth is credited to an expansion of mobile money services, robust government support, enhanced regulatory frameworks, increased access to mobile phones, innovation, technological advancements, and an expansion of financial inclusion initiatives. The total value of Ghana Interbank Settlement System (GIS) transactions increased by 78.12 per cent in 2024 to GH₵6.13 trillion from GH₵3.44 trillion in 2023, despite a reduction of 6.07 per cent in the volumes. Following a similar trend, the volume of inter-bank cheques cleared under Cheque Codeline Clearing (CCC) reduced by 0.15 per cent. Despite this reduction in volume, the total value of cheques cleared increased by 30.97 per cent to GH₵384.96 billion in 2024 compared to GH₵293.93 billion in 2023. Ghana Interbank Payment and Settlement Systems (GhIPSS) Instant Pay (GIP), a real-time interoperable account-to-account credit transfer service, recorded significant growth during the year. The total volume of transactions was 161,158,052 valued at GH₵355.07 billion in 2024 relative to 115,368,700 valued at GH₵120.10 billion in 2023. Additionally, the total value of internet banking transactions increased by 114.9 per cent to GH₵212.44 billion from GH₵98.87 billion in 2023.

The BoG remained focused on implementing measures to stem threats to the fintech and payments ecosystem. The FinTech and Payments sub-sectors continued to face emerging risks, including the rapid expansion of digital assets, illegal lending applications, and unauthorised payment service providers (PSPs). The BoG continued to pursue measures to stem these risks while balancing regulatory compliance with innovation.

The growing use of digital assets in Ghana has highlighted the urgent need for regulatory intervention to ensure secure and transparent financial transactions. The growing demand for cost-efficient digital alternatives for cross-border payments, including the growing use of global stablecoins, highlighted the need for regulatory intervention to ensure secure, transparent, and compliant financial transactions across jurisdictions. The adoption of digital assets in Ghana has gained significant traction in recent years, driven by increased internet penetration, mobile money adoption, and a growing interest in alternative payment and investment options. The rise in remittances, cross-border trade, and the acceptance of cryptocurrencies such as Bitcoin (BTC), Ethereum (ETH) and Tether Coins (USDT), further fuel this trend. While digital assets contribute to financial inclusion and offer benefits such as faster transactions, efficiency, and cost savings, regulatory oversight is crucial to ensuring the security and stability of the financial sector. In 2024, the BoG commenced a shift from the "wait-and-see" approach to implementing a progressive regulation framework for digital assets.

In response to the growing digital asset ecosystem, the BoG initiated a phased regulatory framework to address risks and harness opportunities associated with digital assets. Following extensive stakeholder engagements with experts from the financial and digital asset sub-sectors, the BoG published the Draft Guidelines on Digital Assets in August 2024. These guidelines acknowledge the increasing adoption of digital and crypto assets, particularly in urban and peri-urban areas of Ghana, and propose measures to address associated risks such as Money Laundering and Terrorism Financing (ML/TF), fraud, cyber theft, capital flow concerns, and consumer protection. At the same time, the guidelines highlight opportunities in areas such as cross-border payments, charitable donations, crowdfunding, international remittances, and the economic potential of asset tokenisation for the financial sector. The BoG reviewed industry comments on the exposure draft and has since adopted a phased approach to rolling out a regulatory framework. Key activities in the roadmap include the implementation of a special digital assets sandbox cohort, a temporary registration framework for virtual asset service providers (VASPs), and ongoing engagement with stakeholders, including digital asset regulators from leading jurisdictions. These efforts are geared towards the establishment of robust regulatory measures including licensing, supervision, and enforcement frameworks for digital assets by the first quarter of 2026.

There has been an increase in the activities of illegal lending applications operated by unlicensed PSPs within the digital financial ecosystem. In 2024, the BoG conducted investigations into various fraudulent activities, including illegal payment terminations, merchant fraud, digital payment application fraud, social engineering schemes, and unauthorised remittance activities. Following investigations and cease-and-desist notices, various sanctions, including administrative penalties and suspensions, were applied to licensed entities that granted payment gateway access to the unlicensed companies.

The BoG is implementing a comprehensive fraud mitigation strategy to combat fraudulent activities in the digital financial ecosystem. As part of its ongoing efforts to mitigate fraud risks within the digital payments landscape, the BoG has resolved to initiate a proactive fraud mitigation project. The strategy is focused on critical areas aimed at strengthening efforts to combat Digital Financial Services (DFS) fraud in Ghana through the development of a Fraud Governance Framework. This framework includes the introduction of a regulatory fraud management platform and a fraud database for the FinTech and payment systems sub-sector; consolidate awareness campaigns led by regulators and service providers; and enhance collaboration with law enforcement agencies.

A specialised examination to ensure compliance with local currency remittance account requirements was undertaken. The BoG issued the Updated Guidelines for Inward Remittance Services by PSPs in November 2023. Subsequently, the BoG conducted a review of FinTech's bank accounts in 2024 to ensure compliance with the requirement for PSPs to operate only local currency remittance settlement accounts for making payouts to beneficiaries.

The BoG conducted mobile money surveillance to monitor compliance and prevent fraud. In response to fraud risks and other malpractices often reported of mobile money agents, the BoG conducted a mobile money surveillance exercise across four regions in 2024. The aim was to monitor compliance with regulations, assess adoption of mobile money and gather information for policy updates while providing fraud prevention education to agents and merchants.

Mobile money transaction and balance limits were revised effective March 1, 2024. The daily transaction limit was increased to GH₵3,000, GH₵15,000 and GH₵25,000 from GH₵2,000, GH₵10,000 and GH₵15,000 for minimum, medium and enhanced Know Your Customer (KYC) accounts, respectively. These adjustments aim to improve access to digital financial services while minimising the risk of cash transactions.

The BoG, through the Regulatory Sandbox and Digital Economy Innovation projects, explored ground-breaking ideas and concepts that extended beyond its traditionally regulated spaces. One such innovation is a cross-border payment solution leveraging a currency swap platform, which was explored and subsequently onboarded onto the Regulatory Sandbox. This Business-to-Business (B2B) currency swap solution facilitates the real-time exchange of local currencies between Ghana and Nigeria. By enabling direct currency swaps, the platform aims to reduce African businesses' reliance on foreign currencies for trade, thereby promoting greater financial autonomy and efficiency. This initiative emerged as part of the outcomes of the 3i Africa Summit, which was hosted by the BoG in May 2024.

The 3i Africa Summit served as a key platform for collaboration among FinTechs, regulators, and investors across Africa, fostering innovation and investment and enhancing economic impact. Key discussions at the summit focused on critical issues such as payment systems interoperability and inclusivity, digital assets, ESG considerations, and SME growth across the continent. A central objective of the summit was to address the risk of policy de-harmonization in Africa.

There is continued effort to implement measures to support access to cross-border financing and payment. As part of its business sans borders (BSB) project commenced in 2022, the BoG continued leveraging its regulatory sandbox to explore the application of trusted digital tokens, blockchain, and other emerging technologies in developing globally trusted credentials for SMEs and MSMEs. The aim is to enhance their access to financing and international trade using systems such as the Ghana Integrated Financial Ecosystem (GIFE), Universal Trusted Credentials (UTCs), and the Digital Economy Semi-Fungible Tokens (DESFT). In 2024, the second phase of Project DESFT culminated in the successful execution of a live cross-border trade between Ghana and Singapore in April 2024 using the e-Cedi and was showcased at the 3i Africa Summit. This ground-breaking initiative served as a learning opportunity to inform regulatory formulation efforts in pursuit of cross-border transactions.

To address consumer protection concerns, the BoG enforced data protection laws and issued a directive restraining the levying of unapproved fees on foreign transactions made with foreign payment cards. A directive aimed at curbing the high costs associated with foreign payment card transactions was implemented. This provides an enabling environment that supports the growth of payment cards as an alternative to cash for international transactions. Also, to ensure compliance with data protection laws, the BoG enforced the requirement of ISO27001 certification for all Payment Service Providers (PSPs).

The BoG assessed the cheque printing operations of Accredited Cheque Printers. In exercising the authority granted under Section 85 (1) (2) of the Payment Systems and Services Act, 2019 (Act 987) and Section 6 of the Cheque Printer Accreditation Standard, the BoG undertook special inspection of cheque printing operations. Following satisfactory results of the assessment, the BoG issued accreditation certificates to two cheque printers, Camelot Ghana Limited and Checkpoint Ghana Limited, empowering them as the entities authorized to print cheques. This accreditation and oversight process strengthened the regulatory framework in the sector by ensuring that cheque printing is done securely, transparently, and in compliance with the law, contributing to a more robust and trustworthy financial system.

The BoG has taken measures to manage operational risks in digital payments and improve financial inclusion for underserved populations. Growing reliance on digital infrastructure, operational disruptions such as system outages, service downtimes, or technology failures pose significant risks to the ecosystem, which could lead to transaction delays, financial losses, and diminished consumer confidence in payment systems. To address these risks, the BoG requires payment service providers to have a comprehensive contingency plan, including disaster recovery, to promote business continuity in the event of unforeseen operational failures.

A tiered Know Your Customer (KYC) framework has been introduced to improve financial inclusion. Despite the widespread adoption of mobile money operations and digital payment solutions, some sections of the population, particularly those in the rural communities and underserved areas remain excluded from accessing financial services partly due to KYC restrictions. To address this challenge, the BoG collaborated with relevant stakeholders to improve the inclusivity of payment systems services by introducing a tiered KYC framework, which reduced barriers to entry for individuals and small businesses. In this regard, the BoG is supporting financial service providers to expand agency banking services to remote regions and areas where traditional bank branches had limited reach.

This Special feature is written by
FinTech and Innovation Office &
Payment Systems Department
Bank of Ghana

8.3 The Benefits of a Fit for Purpose Single Customer View to the Deposit Insurer during Reimbursement.

Introduction

Deposit insurance is essential for maintaining public trust in the financial system. It is designed to protect depositors when a bank fails by providing them with prompt access to their funds through a payout or other resolution options such as purchase and assumption, bridge bank, deposit transfer or any other resolution tool as may be determined by the resolution authority. The ability of a deposit insurer to respond in executing its mandate in the event of a bank or SDI failure is critical in maintaining depositors' confidence and ensuring the stability of the financial system.

Prompt payment of depositors is a key requirement for an effective deposit insurance system. According to the International Association of Deposit Insurers (IADI) Core Principle 15, "the deposit insurance system should reimburse depositors' insured funds promptly, to contribute to financial stability. There should be an unequivocal trigger for insured depositor reimbursement". The principle recommends that, to provide depositors with prompt access to their funds, the deposit insurer should always have access to depositors' records. This includes the authority to require banks to maintain depositor information in a format prescribed by the deposit insurer to expedite insured depositor reimbursement.

Granting deposit insurers powers to access depositors' information in an acceptable format is essential for prompt payment. Deposit insurers, as part of their powers, require access to depositor information in banks in a format called Single Customer View (SCV), a solution that aggregates data from different sources into one unified profile for each customer. Therefore, the deposit insurer in any jurisdiction must collaborate with banks to ensure this information is readily accessible in the event of a bank failure. Additionally, financial institutions can leverage the SCV to enhance various aspects of their operations, including customer service, business development and risk management. In the context of deposit insurance, the SCV can be a game-changer by reducing the time it takes to verify deposit details, identify eligible claimants, and ensure prompt reimbursement.

The Single Customer View Concept

The SCV is a comprehensive approach to customer data management within a deposit insurance system. It involves integrating all customer information from various touchpoints (bank accounts, loan details, credit card information, among others) into one central and easily accessible view. The SCV enables banks and deposit insurance agencies to have a complete understanding of a customer's financial relationship with the institution, making it possible to process insurance claims more effectively. The Essential Criteria 4 of the IADI Core Principle 15 requires members of the deposit insurance scheme to have systems and capabilities in place to generate and maintain the SCV, and make it readily available to deposit insurers for speedy reimbursement. The SCV contains the following information:

a. Personal Identification Information: Name, address, contact details, and identification numbers;
b. Account Information: Types of accounts, balances, and transaction history;
c. Interaction History: Data from customer service, complaints, product engagements, among others;
d. Risk Profiles: Creditworthiness, financial behaviours, and patterns; and
e. Loan Information: Credit facilities and overdue loans.

Importance of SCV in Claim Payments

The SCV aids faster verification and identification of eligible depositors. In the event of a bank failure, it is essential to quickly identify eligible depositors and reimbursement amounts in accordance with Essential Criteria 1 of the IADI Core Principle 15. The principle requires the deposit insurer to reimburse most insured depositors within seven working days. If the deposit insurer cannot currently meet this target, the deposit insurer must have a credible plan in place to do so. The SCV allows for the rapid identification of all customers with deposits at the failed financial institution. Using personal identification and account data from the SCV, the deposit insurer can quickly verify the identity of eligible depositors. This enhances the speed of processing claims by providing a unified view of all customer accounts and transaction histories in real-time. SCV also provides accurate and up-to-date account balances, ensuring that the insurance reimbursement reflects the correct amounts.

The SCV also helps in streamlining claims processing, thereby increasing efficiency in decision-making. Once a customer's eligibility is verified, the next step is processing their claim. The SCV plays a crucial role in ensuring that the process is efficient and accurate. It allows for the automated retrieval of relevant data, such as account balances and deposit details. This eliminates manual data entry, reduces the chances of human error, and facilitates faster decision-making. By centralising all customer information on deposits, insurance agencies can make faster, more informed decisions regarding the approval and disbursement of claims.

The SCV improved communication with customers. In the event of a bank or SDI failure, clear and timely communication is critical. SCV can help improve communication by enabling the deposit insurer and the receiver/liquidator to access comprehensive customer contact details from a single location, thereby facilitating faster notifications and updates. This allows for real time notifications and customer support. Deposit insurance agencies can send automated notifications to customers about the status of their claims, reducing the uncertainty surrounding the reimbursement process. The SCV also makes it easier for call centre representatives to quickly access customer profiles, improving their ability to answer questions and resolve issues promptly.

The SCV helps reduce fraud and errors. The SCV not only enables deposit insurance agencies to expedite the claims process but also plays a crucial role in minimising errors and instances of fraud. By consolidating all customer data, financial institutions can ensure accurate claims and perform cross-verification. SCV helps prevent fraudulent claims by ensuring that the information provided is consistent across all data points. It also allows cross-referencing customer data with internal and external sources to verify eligibility and ensure that no fraudulent activities are taking place.

Benefits of a Fit-for-Purpose SCV for Banks and SDIs

Among the most significant benefits of an SCV for banks is the ability to assess and manage risks more effectively. By consolidating customer data, banks and SDIs can identify high-risk customers and manage their exposure to potential defaults. This allows for risk profiling and personalised risk mitigation measures. Banks can use the SCV to better understand customer behaviour and predict financial distress, thereby reducing the likelihood of NPLs. Also, with a clear view of a customer's financial history and behaviours, banks can design personalised risk mitigation strategies, such as offering tailored financial products or early intervention for customers showing signs of financial instability.

The SCV assists banks and SDIs in improving customer engagement and retention. By leveraging the SCV, financial institutions can personalise their engagement with customers, improving customer satisfaction and loyalty. When customers feel understood and well-served, they are more likely to trust the institution, especially in times of financial uncertainty. This allows for banks and SDIs to tailor their products and better segment their customers. The data from an SCV provides financial institutions with the opportunity to design and offer deposit products that better align with customer needs, boosting customer satisfaction while ensuring robust protection under the deposit insurance scheme.

The SCV engenders operational efficiency and fraud prevention. The SCV allows for the centralisation and automation of customer-related processes, which can improve operational efficiency. This translates into faster transaction processes and improved fraud detection. The SCV enables faster verification of customers for speedy transactions. With regards to fraud mitigation, the SCV aids in consolidating customer data into a single view, and thereby allows financial institutions to better detect suspicious activity.

The SCV aids in improving regulatory compliance and reporting. Regulatory requirements for deposit insurance often involve the collection and submission of detailed customer data. An SCV can help financial institutions meet these requirements by ensuring that customer data is accurate, up-to-date, and easy to access. This ensures compliance with the GDP Act and Regulations.

Technological and Infrastructure Requirements for Implementing a Fit-for-Purpose SCV

Data integration platforms are essential for implementing a fit-for-purpose SCV. The foundation of an effective SCV lies in its ability to integrate data from multiple sources across an organisation. Some of the technological tools required include:

a. Customer Relationship Management (CRM) Systems: These systems centralise all customer interactions and help in consolidating customer profiles.
b. Data Warehouses: A data warehouse serves as a repository that consolidates customer data from various operational systems and ensures that information is accessible in real-time.
c. Data Lakes: For more advanced data management, financial institutions can leverage data lakes to store structured and unstructured data, further improving access to comprehensive customer profiles.

Harnessing Artificial Intelligence (AI) and Machine Learning (ML) could improve the efficiency and effectiveness of an SCV. AI and ML technologies can be applied to the SCV to automate processes, detect patterns, and optimise decision-making. Some applications include:

a. Automated Risk Assessment: AI can be used to assess the risk profile of customers based on historical data, making it easier to prioritise certain claims or identify at-risk customers.
b. Fraud Detection: ML algorithms can be used to detect anomalies in claims and prevent fraudulent activities, which could otherwise delay the reimbursement process.

It is essential to leverage cloud computing to improve the security and scalability of the SCV. Given the vast amounts of data involved, financial institutions need a scalable infrastructure for implementing an SCV. Cloud computing solutions allow for SCV systems to easily scale as the volume of data increases. They also offer robust security protocols, such as encryption and multi-factor authentication, to ensure customer data is protected.

Challenges in Implementing an SCV in Ghana

The existence of multiple identification documents in creating accounts in banks and SDIs poses a challenge to the consolidation of customers' details. Prior to BoG's directive to use the Ghana card as the sole identification for account creations in banks and SDIs, customers were permitted to open accounts with any of the following: Voter's ID card, Driver's License, Passport, and National Health Insurance Scheme (NHIS) card. The fragmentation of data resulting from the usage of multiple IDs has made it difficult to uniquely identify customers through all their dealings with the bank or SDI.

While the introduction of the Ghana Card is expected to improve identification, low adoption within the SDI space remains a challenge. The Ghana Card is meant to serve as the single, unified national identity document for all Ghanaian citizens. Following a directive from the BoG in 2022, the Ghana Card is intended to be the sole ID for banking transactions. However, the adoption of the Ghana Card has been slow for several reasons including logistical and infrastructural issues. The cost of verification machines, and low and unstable internet connectivity especially in rural communities makes it difficult for financial institutions to fully operationalise this directive.

The inadequacy of high-quality and consolidated data remains a challenge to the implementation of an SCV. Implementing an SCV system requires high-quality and consistent data. If data from different systems is inconsistent or outdated, it can lead to inaccurate claims processing and reimbursement delays. Banks and SDIs need to invest in data cleaning processes to ensure that the information in the SCV is accurate and reliable. In addition, they also need to integrate multiple legacy systems into a centralised SCV platform. This can be time-consuming and technically challenging, particularly for banks and SDIs with outdated IT infrastructure.

The cost of implementation also remains a challenge. Developing and maintaining an SCV system can be costly and small and medium-sized deposit-taking institutions, especially SDIs, may find it difficult to invest in the necessary infrastructure. This could hinder the widespread adoption of the SCV. However, the potential benefits of the SCV, including superior and improved customer satisfaction, reduced fraud risks, faster reimbursement, and compliance with regulations could outweigh the costs of implementation.

Conclusion

Exploiting SCV can dramatically enhance the efficiency and speed of reimbursement by a deposit insurer in the event of the failure of a bank. By integrating and consolidating customer data into a unified profile, deposit insurers can quickly verify account details, process claims, communicate with customers, and reduce fraud. While challenges related to data security, integration, and implementation costs exist, the benefits of SCV in improving the speed of deposit insurance reimbursements are undeniable. As financial institutions continue to digitise and modernise their operations, the adoption of the SCV will be key to ensuring prompt, accurate, and efficient reimbursement, strengthening customer trust, and ensuring the stability of the financial system.

The adoption of the Ghana Card as the sole ID for banking transactions is critical for exploiting the SCV and its benefits. For the entire financial system to realise the full potential of a unified identification system, key stakeholders such as the BoG, GDPC, National Identification Authority, banks, and SDIs, as well as the public, must work together to address the barriers to the adoption of the Ghana Card.

While the integration of customer data into a single profile raises some privacy and security concerns, the existing data protection laws are sufficient to address them. Banks and SDIs, as well as GDPC will adhere to strict data protection securities and laws (such as the Data Protection Act, 2012 (Act 843)) to ensure that customers' personal and financial information is kept secure. In addition, financial institutions will implement strict security measures and encryption protocols to comply with all necessary regulations.

This Special feature is written by Ghana Deposit Protection Corporation (GDPC).

8.4 Emerging Money Laundering, Terrorism Financing and Proliferation Financing Risks

Introduction

The global financial system faces evolving threats from Money Laundering /Terrorism Financing and Proliferation Financing (ML/TF&PF), which necessitates robust and efficient Anti-Money Laundering/Combating the Financing of Terrorism/ Proliferation Financing (AML/CFT/CPF) frameworks. These frameworks must be comprehensive, well-coordinated, and adaptable to emerging risks. It is also necessary to put in place measures that determine how effective these frameworks and policies are towards AML/CFT/CPF. These measures must focus on risk identification, international cooperation, supervision, beneficial ownership information, financial intelligence, asset recovery, and the fight against ML/TF&PF. Based on this background, Ghana has put in place AML/ CFT/CPF frameworks and policies that are periodically assessed for effectiveness. These examinations reveal the strengths of current measures and guide the identification of areas that need improvement.

As part of the international peer review mechanism, Ghana was subjected to the Second (2nd) Round of Mutual Evaluation in 2016. This assessment was undertaken by the Inter-governmental Action Group against Money Laundering in West Africa (GIABA), with the report adopted in 2017. The assessment revealed some gaps in the AML/CFT/CPF regime, which led the country to be placed on the Financial Action Task Force (FATF) grey list and subsequently the EU list of High-Risk Third Countries with AML/CFT strategic deficiencies. With the support and collaboration of all stakeholders, steps were taken to address the identified gaps, and the country successfully exited the said lists.

Ghana is expected to undergo a Third (3rd) round of mutual evaluations in 2026. At the 40th Plenary meeting of GIABA, a timetable for the third round of mutual evaluation based on a FATF-approved schedule of the next round of mutual evaluations was discussed and adopted. Based on this sequencing and scheduling timetable, Ghana is the first country in the West African sub-region to be subjected to the next round of mutual evaluations, with the onsite scheduled for 2026.

The Third (3rd) Round of Mutual Evaluation will follow the same structure as the Second (2nd) Round, that is, technical compliance and effectiveness. The technical compliance criteria assess the implementation of the specific requirements of the FATF 40 Recommendations. These include the legal and institutional framework, and the existence of powers and procedures of competent authorities. The effectiveness criteria, on the other hand, assess the extent to which the national AML/CFT/CPF regime is achieving the objectives of the FATF standards.

Ghana is preparing for the 3rd Round of the Mutual Evaluation Exercise. In this regard, there is a need for the nation to enhance its preparations to further strengthen existing systems and demonstrate the effectiveness of the AML/CFT/CPF regime. Accordingly, all competent authorities have formed working groups made up of personnel with considerable knowledge and expertise in AML/CFT/CPF.

Focus of the 3rd Round of Mutual Evaluation: Immediate Outcomes and Analysis

The third mutual evaluation will subject Ghana to the eleven (11) immediate outcomes set by FATF to assess effectiveness. These immediate outcomes are a set of benchmarks used to assess how effectively a country implements AML/CFT/CPF measures. Rather than focusing solely on whether a country has the right laws and regulations ("technical compliance"), the Immediate Outcomes evaluate whether these measures are operationalised in practice to reduce risks and threats from ML/TF&PF. The eleven (11) immediate outcomes are discussed as follows.

Immediate Outcome 1

Money laundering and terrorist financing risks are identified, assessed and understood, policies are co-operatively developed and, where appropriate, actions coordinated domestically to combat money laundering and the financing of terrorism. A country's ability to identify, assess, and understand its ML/TF/PF risks is crucial for adopting effective and strong policies. There is a need to rely on comprehensive risk assessments that incorporate data from multiple sources that reflect the evolving nature of financial crimes. In turn, the national AML/CFT/CPF strategies are aligned with these assessments, ultimately ensuring that policies are risk-based and targeted at the most significant threats (risk-based approach). Domestic cooperation among regulatory bodies, financial institutions, and law enforcement agencies plays a vital role in coordinated efforts towards timely information sharing, operational efforts and coordinated policy implementation towards combating ML/TF/PF risks. Some crucial points considered include:

a. How well the country identifies, assesses, and understands its ML/TF/PF risks.
b. How well do national AML/CFT/CPF policies and activities address the identified ML/TF risks.

Immediate Outcome 2

International co-operation delivers appropriate information, financial intelligence and evidence, and facilitates action against criminals and their property. International cooperation is fundamental in the fight against ML/TF/PF since financial crimes often transcend national borders. Active engagement in mutual legal assistance, extradition, and information-sharing mechanisms aid in facilitating investigations, identification, freezing, seizure, confiscation, and asset recovery while ensuring criminals cannot exploit jurisdictional gaps to evade justice. The establishment of bilateral and multilateral agreements strengthens these efforts and allows for seamless coordination in tracing illicit funds and prosecuting offenders, significantly enhancing the effectiveness of AML/CFT/CPF measures.

Immediate Outcome 3

Supervisors appropriately supervise, monitor and regulate financial institutions and Virtual Asset Service Providers (VASPs) for compliance with AML/CFT/CPF requirements, and financial institutions and VASPs adequately apply AML/CFT/CPF preventive measures, and report suspicious transactions. The actions taken by supervisors, financial institutions and VASPs are commensurate with the risks. Continuous supervision and monitoring of financial institutions and VASPs play a key role in ensuring compliance with AML/CFT/CPF requirements. Licensing and regulatory frameworks should be able to prevent criminals from gaining control over financial institutions for use in their criminal activities. Similarly, there should be strict enforcement of due diligence processes such as Know Your Customer and Customer Due Diligence (KYC/CDD) to identify and monitor high-risk customers including beneficial owners, and Politically Exposed Persons (PEPs). Also, adopting a risk-based approach, focusing oversight efforts on institutions most vulnerable to ML/TF/PF is very crucial towards preventive measures and mitigation of ML/TF/PF activities.

Some crucial points considered include:

a. How well are licensing, registration, or other controls implemented by supervisors or other authorities preventing criminals and their associates from holding or being the beneficial owner of a significant or controlling interest or holding a management function in financial institutions and VASPs? How well are breaches of such licensing or registration requirements detected and addressed as appropriate?
b. How well financial institutions and VASPs understand and apply AML/CFT/CPF obligations and mitigating measures, appropriate to their business activities, including:

i. the CDD and record-keeping measures (including beneficial ownership information and ongoing monitoring);
ii. the enhanced or specific measures for PEPs, correspondent banking, new technologies, wire and virtual asset transfer rules, high-risk countries identified by the FATF;
iii. their AML/CFT/CPF reporting obligations, the practical measures to prevent tipping off;
iv. internal controls and procedures and audit requirements (including at group level where applicable) to ensure compliance with AML/CFT/CPF requirements; and
v. the extent of legal or regulatory requirements (e.g. financial secrecy) impeding the implementation of AML/CFT/CPF obligations and mitigating measures.

Immediate Outcome 4

Supervisors appropriately supervise, monitor and regulate Designated Non-financial Businesses and Professionals (DNFBPs) for compliance with AML/CFT/CPF requirements, and DNFBPs adequately apply AML/CFT preventive measures commensurate with the risks, and report suspicious transactions. Risk based supervision and monitoring identify, assess and mitigate the money laundering and terrorist financing risks in DNFBPs by:

a. preventing criminals and their associates from holding, or being the beneficial owner of a significant or controlling interest or a management function in DNFBPs; and
b. guiding, monitoring and enforcing compliance by DNFBPs to ensure that they have effective AML/CFT policies in place. Where issues are identified, appropriate measures based on risk are taken to address them.

Over time, supervision and monitoring improve the level of AML/CFT/CPF compliance and discourage attempts by criminals to abuse the DNFBP sector, particularly in DNFBPs most exposed to ML/TF risks. DNFBPs understand the nature and level of their money laundering and terrorist financing risks; develop and apply AML/CFT/CPF policies (including group-wide policies as appropriate), internal controls, and programmes to adequately mitigate those risks; apply appropriate CDD measures to identify and verify the identity of their customers (including the beneficial owners) and conduct ongoing monitoring; adequately detect and report suspicious transactions; and comply with other AML/CFT/CPF requirements.

Immediate Outcome 5

Legal persons and arrangements are prevented from misuse for money laundering or terrorist financing, and information on their beneficial ownership is available to competent authorities without impediments. Transparency in legal persons and beneficial ownership is critical in preventing legal persons and arrangements from being used as vehicles for illicit financial activities. Countries should implement measures that ensure beneficial ownership information is accurate, up-to-date, and readily accessible to competent authorities. Public registries enhanced due diligence by financial institutions, and legal frameworks that mandate disclosure requirements help prevent anonymity in corporate structures. These measures make it more difficult for criminals to hide behind complex ownership arrangements and enable authorities to trace illicit financial flows effectively.

Immediate Outcome 6

Financial intelligence and all other relevant information are appropriately used by competent authorities for money laundering and terrorist financing investigations. Financial intelligence serves as a cornerstone of AML/CFT efforts, enabling competent authorities to detect, investigate, and prosecute financial crimes. This requires that the Financial Intelligence Unit (FIUs) have access to a wide range of financial data, including Suspicious Transaction Reports (STRs), transaction records, and cross-border reports, to conduct thorough analyses. The timely receipt and dissemination of financial intelligence to law enforcement agencies enhance the effectiveness of their operational needs and duties.

Immediate Outcome 7

Money laundering offences and activities are investigated, and offenders are prosecuted and subject to effective, proportionate and dissuasive sanctions. Effective investigation and prosecution of ML offences deter illicit financial flows by ensuring that offenders face strict and proportionate legal consequences which should be dissuasive. Law enforcement agencies must be equipped to conduct parallel financial investigations alongside prosecuting stand-alone ML predicate offences. The imposed sanctions must be deterrent and dissuasive to mirror the severity of the crime. Ultimately, the prospect of detection, conviction, and punishment dissuades potential criminals from carrying out financial crimes and money laundering.

Immediate Outcome 8

Asset recovery processes lead to confiscation and permanent deprivation of criminal property and property of corresponding value. Asset recovery deprives criminals of the proceeds of their crimes. Establishment of legal frameworks that facilitate the freezing, seizing, and confiscation of illicit assets or assets of corresponding value, both domestically and internationally is instrumental to ensuring that profit is taken out of crime. Effective asset recovery requires well-coordinated efforts among FIUs, law enforcement, financial institutions, and judicial authorities. A proactive approach to asset management ensures that confiscated assets or funds are not dissipated before the conclusion of legal proceedings.

Immediate Outcome 9

TF offences and activities are investigated, and persons who finance terrorism are prosecuted and subject to effective, proportionate and dissuasive sanctions. TF remains a significant global threat, requiring a multi-pronged approach that includes robust investigation, prosecution, conviction, and sanctions (preventive measures). Priority should be given to the identification and disruption of terrorist financing networks, ensuring that individuals and organisations involved in funding terrorist activities face severe deterrent sanctions. When appropriate, terrorist financing is pursued as a distinct criminal activity and financial investigations are conducted to support counter terrorism investigations, with good coordination between relevant authorities.

Immediate Outcome 10

Terrorists, terrorist organisations and terrorist financiers are prevented from raising, moving and using funds. This is a crucial aspect of national security. Implementing targeted financial sanctions in line with United Nations Security Council Resolutions (UNSCRs) to restrict access to financial resources is a vital step towards deterring individuals and groups from TF activities. Measures must be in place to prevent the abuse of Non-Profit Organisations (NPOs) for TF purposes while ensuring that there are little to no unintended consequences. A risk-based approach allows for the effective identification and monitoring of high-risk entities while maintaining the integrity of financial systems.

Immediate Outcome 11

Persons and entities involved in the proliferation of weapons of mass destruction (WMD) are prevented from raising, moving and using funds, consistent with the relevant UNSCRs. The financing of the proliferation of WMD poses a severe threat to global security, necessitating strict enforcement of financial sanctions against designated individuals and entities. There should be established mechanisms to detect and prevent the proliferation of WMD financing activities while ensuring that financial institutions, DNFBPs, and VASPs comply with relevant sanctions. Effective cooperation among financial regulators, law enforcement agencies, and international bodies enhances the ability to prevent illicit proliferation financing while safeguarding global stability. Some crucial points to consider include:

a. The extent to which competent authorities co-operate and co-ordinate the development and implementation of policies, and, for operational purposes, co-operate and, where appropriate, co-ordinate to combat financing of proliferation of WMD; and
b. How well the country is implementing, without delay, targeted financial sanctions concerning the UNSCRs relating to the combating of financing of proliferation of WMD.

Conclusion and Recommendations

Ghana has made strides in the implementation of an effective AML/CFT/CPF regime. The country has adopted measures to strengthen risk assessment, regulatory supervision, financial intelligence, and international cooperation that has helped to significantly reduce financial crime risks. Also, competent authorities within the AML/CFT/CPF space continue to promote transparency in beneficial ownership, enhance asset recovery mechanisms, and take decisive action against terrorist financing to further contribute to a robust AML/CFT/CPF regime.

As the 3rd Mutual Evaluation approaches, all relevant stakeholders in the fight against ML/TF&PF are collaborating efforts towards enhancing the following:

a. **Cross-Sector Collaboration:** Strengthening cooperation between financial institutions, regulatory bodies, and law enforcement agencies will improve intelligence sharing and enforcement efforts.
b. **The use of Technological Innovations:** The adoption of artificial intelligence and blockchain analytics could enhance transaction monitoring and detection of illicit financial flows.
c. **Capacity-Building Initiatives:** Continuous training and resource allocation for AML/CFT professionals will improve compliance and investigative capabilities.
d. **Regulatory Frameworks:** Regularly updating laws and policies to counter emerging financial crime trends will enhance effectiveness.
e. **Promote International Cooperation:** Strengthening partnerships with global AML/CFT organisations will facilitate more efficient cross-border collaboration.

This Special feature is written by Financial Intelligence Centre (FIC)

Designed and Printed by Communications Department
Bank of Ghana