BANK OF GHANA

Explanatory Notes on the Large Exposures Directive

for Banks, Savings and Loans Companies, Finance Houses and Financial Holding Companies

September 2025

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INTRODUCTION

Pursuant to Section 92(1) of the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930), the Bank of Ghana (BOG) has issued the Large Exposures Directive in September 2025 following consultation with the banking industry (herein called “the industry”) as well as the IMF Resident Advisor.

The Large Exposures Directive is aimed at ensuring that banks, savings and loans companies, finance houses and financial holding companies (FHCs), hereafter referred to as Regulated Financial Institutions (RFIs), have a framework that effectively complements and serves as a backstop to the risk-based capital requirements, set BOG’s supervisory expectations to managing large exposures, align with international standards and address risks associated with large exposures to safeguard the stability of the broader financial system.

The Bank of Ghana has carefully considered the Large Exposures Directive in light of the feedback, comments, and contributions received during the public consultation process. This has culminated in a revised Large Exposures Directive dated September 2025, which addresses material issues identified in the Exposure Draft of the Directive.

This document therefore explains the significant revisions reflected in the final version of the Large Exposures Directive.

NOTES EXPLAINING REVISIONS REFLECTED IN THE LARGE EXPOSURES DIRECTIVE

Part I – Title

The reference year in Paragraph 1 has been revised from 2024 to 2025 to reflect the current year of publication.

Part I – Application

Paragraph 2 has been revised to limit the scope of application to only banks, savings and loans companies (S&L), finance houses and financial holding companies (FHC) rather than other specialised deposit-taking institutions that are already subject to exposure limits proportionate to the nature and size of their operations.

Part I – Interpretation

Definitions of Credit Risk Mitigation, Key Management Personnel, Senior Management, and Trading Book have been newly inserted to provide clarity.

Part I – Objectives

A new objective has been inserted to enhance the monitoring and assessment of risks associated with large exposures in the banking system, ensuring alignment with the broader goals of maintaining financial system stability and integrity.

Part I – Transitional Arrangements and Effective Implementation Date

The effective implementation date of the Directive has been revised from 1st July 2026 to 1st January 2027, and the proposed timeframe to become fully compliant has been revised from 6 months to 1 year to provide RFIs with sufficient time to ensure compliance and operational readiness.

Part II – The Large Exposure Limit

Paragraph 16 has been deleted to reinforce that the effective limit on large exposures of 20% of net own funds for banks and FHCs, and 15% for S&Ls and finance houses, must not be exceeded. To ensure consistency with international standards, this Directive does not segregate exposures for corresponding banking purposes. RFIs retain the discretion to allocate exposures across loans, investments, and correspondent banking activities, provided that the aggregate exposure remains within the prescribed limit.

Part II – The Large Exposure Limit

Paragraph 18 has been deleted, as its content is adequately addressed in Paragraphs 17 and 22.

Part II – Connected Persons

i. A new paragraph has been inserted to ensure RFIs put in place robust processes and mechanisms for the timely identification and reporting of connected counterparties.
ii. Paragraph 25 has been deleted, as it is generally understood that RFIs may seek clarification from the BOG when needed.
iii. Definition for banking book has been newly inserted as a footnote to ensure clarity.

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