TRAINING WORKSHOP ON NON-INTEREST BANKING AND FINANCE

OPENING REMARKS

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Distinguished Participants,

Friends of the Media Fraternity,

Ladies and Gentlemen.

1. Good morning. It is a privilege for me to address you today on Non-Interest Banking and Finance (NIBF) which promises to broaden the availability of financing products to support the real sector. It is critical to develop capacity for the emerging new model of banking and financing in Ghana. Since 2016, when non-interest financial services were made permissible activities in Act 930, this is the first time we have invested in regulatory efforts to operationalise it. We are happy, you are participating in this capacity building programme to pave the way to prepare to participate in the non-interest banking and financing window, which is purposely provided for in the final regulatory guideline to support conventional financial institutions to roll out non-interest banking and financing to the public.

2. The Bank of Ghana has reached this important point because of the inclusive engagement that heralded the process, with both Christian and Muslim Leadership agreeing to call this model of banking, Non-Interest Banking and Finance, reflecting secularity and common principles. We recognise the key complementary role being played by Securities and Exchange Commission (SEC) and the National Insurance Commission (NIC) to ensure harmonisation, and the deployment of regulatory guideline to support effective roll-out of non-interest banking and finance in Ghana.

3. As a regulator, capacity building is critical as it helps us build experience, expertise and provides regulatory clarity in our supervision. The participants from the financial institutions and regulators will be equipped to operate well in line with international standards to ensure financial stability, soundness and appropriate risk management outcomes. Overall, capacity building develops the ability of banks and financial institutions and their staff to be in the position to perform their functions appropriately. We reckon, that non-interest banking principles, product development, contract structuring, accounting, auditing and taxation need capacity building.

4. Ladies and gentlemen, conventional banking and finance is largely debt-based and interest-rate-driven but non-interest banking is largely asset-backed, risk-bearing, risk-sharing, profit and loss sharing and in some cases loss bearing. We therefore must put high premium on skills development of our staff including building compactible systems to drive the practice of non-interest banking in Ghana. The strength of regulation, supervision and operation

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depends on the capacity, experience and skills of both the regulator and the operators.

4.1 **Human Capital and Expertise**: There is the need to attract both local and Ghanaian expertise resident outside Ghana as well as foreign expertise in the core principles, product structuring, and risk management. Understanding and experience in products/contracts such as Mudarabah (profit-sharing), Musharakah (joint venture), Ijara (leasing), and Murabaha (cost-plus sale) is critical for us as a regulator. Conventional financial institutions are encouraged to scale up their training needs to be able to operate.

4.2 **Investment in Systems and Infrastructure**: Conventional core banking systems are not designed to handle the unique accounting, profit distribution mechanisms, and contract-specific features of NIB products. Adapting or replacing these systems represents a significant technological and financial investment, especially for banks that may want to operate NIB windows. Financial institutions need to demonstrate effective systems and minimum infrastructure to operate.

4.3 **Governance and Compliance:** The regulatory guideline provides for two-tier governance structure to ensure effective governance, compliance and risk management. Details will be discussed during the presentations. However, the qualification is fit and proper test and deeper experience in non- interest banking and finance.

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5. Building a Sustainable Non-Interest Banking and Finance Ecosystem

We urge the banking industry, to do the following to support the development of the skilled and capacity of Non-Interest Banking in Ghana:

5.1 **Invest in Aggressive Knowledge Acquisition**: Partner with local and international, Non-Interest Banks, institutions and established training bodies to develop rigorous training programmes. The Chartered Institute of Bankers (CIB) has rolled out the ***Non-Interest Banking and Finance Certification*** programme for bankers. We encourage you to patronise the programme to build the required capacity for the industry.

5.2 **Initiate Technology Audits**: Immediately commence reviews of your current IT systems to assess the level of upgrade or integration required to support NIB windows if your bank is interested in non-interest banking.

5.3 **Develop a Phased Implementation Plan**: Do not wait for the final guideline to start planning. Begin developing your business case, identifying target markets, and designing a phased roll-out plan for initial products.

6.0 As a regulator, we will continue to provide regulatory clarity and if possible, facilitate to ensure the success of non-interest banking in the following way:

6.1 **Providing Regulatory Clarity**: The forthcoming guideline will provide a clear, predictable, and sound regulatory environment.

6.2 **Building Supervisory Capacity**: We are committed to continue building the internal capacity of our own staff to effectively examine and monitor NIB operations.

6.3 **Promoting Market-Led Solutions:** We encourage partnerships, technical collaborations, and knowledge transfer in building a healthy and competitive banking landscape that positively impacts the real economy.

7. Conclusion: A Call to Strategic Action

The introduction of Non-Interest Banking in Ghana is not only a progressive regulatory development, but it is also strategic in deepening financial inclusion, attracting new sources of investment, and diversifying our financial system.

7.1 The capacity to implement it successfully must be built deliberately and collaboratively.

7.2 Let us work together, the regulator and industry to build governance capacity required for a thriving, resilient, and inclusive Non-Interest Banking sector in Ghana.

Thank you for your attention.

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