



## **BANK OF GHANA**

# **GUIDELINES FOR THE OPERATION OF VOSTRO ACCOUNTS BY NON-RESIDENT BANKS**

### **1. Introduction**

The Bank of Ghana hereby issues these Guidelines to provide regulatory clarity and operational direction regarding the maintenance and use of Vostro accounts by non-resident banks with resident banks in Ghana.

These Guidelines are issued pursuant to the Foreign Exchange Act, 2006 (Act 723) and shall be read together with the Banks and Specialized Deposit-Taking Act, 2016 (Act 930) and all other applicable laws, directives and prudential requirements issued by the Bank.

The objectives of these guidelines are as follows:

- To preserve the integrity and orderly function of the domestic foreign exchange market to support monetary operations,
- To strengthen the functioning of the local interbank market,
- To enhance the transparency, traceability and regulatory oversight of cross-border investment capital flows.

### **2. Scope and Application**

These guidelines shall apply to:

- All resident banks licensed by the Bank of Ghana.
- All non-resident banks that maintain Vostro accounts with resident banks in Ghana.

### **3. Permissible Activities for Vostro Accounts**

The Vostro account shall be used exclusively for Investment Capital Transactions, including, financial activities involving the inflow, holding, deployment or repatriation of capital for investment purposes in Ghana. Permissible transactions shall be restricted to:

- a. Portfolio investments by foreign investors in:
  - medium-to-long term Government of Ghana securities,
  - corporate bonds,
  - public and private equities, and

- other investments approved by the relevant regulatory body under applicable Ghanaian Law.
- b. Receipt of investment income, including:
- Coupon payments
  - Dividends and
  - other approved returns on investment.
- c. Proceeds arising from the sale, maturity, redemption, or liquidation of approved investment instruments and repatriation of proceeds.
- d. Any other transaction explicitly designated or approved in writing by the Bank of Ghana or other regulatory body in Ghana as an Investment Capital Transaction.

#### **4. Permissible Inflows into Vostro Accounts**

Inflows into Vostro accounts shall only arise from:

- a. Capital inflows involving the sale of foreign currency (FX) to a resident bank where:
- The non-resident bank transfers FX received from its customers (offshore investor clients) to the resident bank.
  - The FX is credited to the resident bank's Nostro account and
  - The resident bank provides 100 percent Ghana Cedis (GHS) cover by crediting the non-resident bank's Vostro reserve account.
- b. Receipt of proceeds from approved investment transactions under clause 3 above.
- c. Any other transaction expressly designated by the Bank as an Investment Capital transaction.

All inflows to Vostro accounts shall be supported by appropriate documentary evidence (e.g., FX trade tickets, investment maturity notices, etc.) and shall be made available to the Bank upon request.

#### **5. Permissible Outflows from Vostro Accounts**

Outflows from Vostro accounts shall only arise from:

- a. Purchase of FX from a resident bank for repatriation of investment capital or income.
- b. Purchase of approved medium- to long-term investments in Ghana.
- c. Any other transaction qualified by the Bank as an investment capital transaction.

All outflows shall be directly linked to a corresponding FX transaction or investment transaction with a resident bank, supported by appropriate documentary evidence and shall be made available to the Bank upon request.

## **6. Other Permitted Activities**

- a. A non-resident bank shall maintain only one Vostro account per resident bank but may maintain Vostro accounts with multiple resident banks.
- b. A resident bank is not required to maintain a Vostro account for a non-resident bank to carry out a foreign exchange transaction with that non-resident bank.
- c. Inflows/outflows through a Vostro account does not preclude non-resident banks from hedging their foreign exchange and liquidity risks through derivatives with a resident bank. This should however be done in line with the Ghana Interbank Forex Market Conduct, 2019.
- d. **Back-to-back** FX transactions are ONLY permitted if:
  1. The transaction is strictly for investment purposes.
  2. The supplier of the FX is a non-resident investor and not a non-resident bank acting on its own behalf.
  3. The non-resident bank intermediates between the offshore investor and the resident bank
  4. The FX settles on (credits) the Nostro account of the resident bank, while the resident bank settles the GHS by crediting the Vostro account of the non-resident bank.
- e. Where the FX flow is not for investment purposes, it shall be treated as a direct FX payment/transfer by the offshore party to an end-beneficiary in Ghana. The following steps shall apply:
  1. The deal must be done at the resident bank's price
  2. The FX must be credited to the resident bank's Nostro account
  3. GHS settlement shall be made directly to the end-beneficiary's GHS account. Under no circumstances shall funds be transferred from a Vostro account to settle such non-investment transactions.

## **7. Prohibited Activities**

- a. No direct flows or transfers shall occur between a Vostro account and the account of any individual or entity unless the transfer relates to an underlying investment involving the said entity.
- b. Vostro accounts shall not be used for personal remittances or for non-permissible transactions.
- c. Co-mingling of investment and non-investment capital transactions is not permitted.

- d. No credit or overdraft facilities (or similar arrangements) shall be granted on a Vostro account.
- e. Inter-Vostro Transactions not backed by corresponding exchange of approved investment securities are prohibited.

Where banks are not sure of the nature of a transaction and its impact on a Vostro account, clarity shall be sought from the Financial Markets Department of the Bank of Ghana before the transaction is effected.

### **8. Transparency, Reporting and Compliance**

- a. All FX Vostro transactions shall carry a unique transaction identifier linking the FX and GHS components of the transaction.
- b. Resident banks shall perform daily reconciliation of Vostro account movements against corresponding FX transactions executed with non-resident banks.
- c. Unusual Vostro accounts movements shall be immediately reported to the Bank and investigated.
- d. Resident banks shall implement automated real-time monitoring systems to track Vostro account activity.
- e. The Bank reserves the right to carry out examination of the Vostro account without prior notice.
- f. All banks shall submit daily, weekly and any additional periodic reports on Vostro accounts in a format prescribed by the Bank of Ghana.
- g. Non-compliance with any provision in these guidelines shall attract regulatory sanctions, including but not limited to suspension of FX dealing licenses, monetary penalties, and restrictions on vostro account operations, any other action permitted under law including the Banks and Specialized Deposit Taking Institutions Act 2016 (Act 930) and the Foreign Exchange Act, 2006 (Act 723).

### **ANNEX: DEFINITIONS AND INTERPRETATION**

For the purposes of these Guidelines:

**“Back-to-back”** refers to where the non-resident bank buys FX from an offshore participant and simultaneously sells the FX to a resident bank.

**“End-beneficiary”** refers to an individual or corporate that is the intended recipient of the GHS equivalent of the FX being transferred into Ghana.

**“FX Vostro transaction”** refers to an FX/GHS deal where the GHS leg settles on the Vostro account.

**“Inter-Vostro Transaction”** refers to GHS transfers between the Vostro account of a non-resident bank and the Vostro account of another non-resident bank.

**“Non-Investment capital transaction”** refers to a cross-border transfer not intended for investment and not conferring ownership in Ghanaian financial assets.

**“Non-resident bank”** refers to a bank not resident in Ghana, licensed and supervised by its supervisory authority outside Ghana.

**“Resident Bank”** refers to a bank licensed and supervised by the Bank of Ghana.

**“Vostro Account”** means an account held by a resident bank in Ghana on behalf of a non-resident bank for the settlement of approved investment transactions.

**“Vostro Reserve Account”** is a reserve account held by resident banks with the Bank to mirror the Vostro account held with resident banks.

(SDG.)  
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