

Paul A Acquah: Developing an efficient capital market in Ghana

Statement by Dr Paul A Acquah, Governor of the Bank of Ghana, at "The official listing of Ecobank Ghana (EBG) Limited's shares on the Ghana Stock Exchange (GSE)", Accra, 14 July 2006.

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Distinguished guests,
Ladies and gentlemen.

First of all I would like to thank ECOBANK for inviting me to be a part of this important occasion. Let me take this opportunity to congratulate the management and staff of ECOBANK for their successful listing. It is an indication of your determination to be among the forerunners in charting a new course for banking in Ghana.

The GSE has a critical role to play as a vehicle for accelerated growth. This event could not be a better indication of how institutions could use the stock market and in deed an efficient capital market to diversify their sources of funding to achieve a good mix of equity and debt for investment.

Ladies and gentlemen, the basic philosophy of developing a robust capital market and diversified financial system with banks and non-banks is that it enhances risk pooling and risk sharing opportunities for investors and borrowers. Secondly, a well developed capital and debt market facilitates efficient financial intermediation as they use market mechanisms for allocation and pricing of credit. But this requires appropriate institutions and transparent codes and standards. These include standards of accounting, auditing and disclosures, institutional infrastructure, prevalence of an environment for enforcement of contracts and efficient credit rating agencies. In a number of these areas, there are plans far advanced to put the prerequisites in place and I am glad to say that very soon the Credit Reference Bill will be passed by parliament, while the Institute of Chartered Accountants (Ghana) are far advanced in introducing international Accounting Standards in Ghana.

The development of the stock market and for that matter the Ghana Stock Exchange is of strong policy interest. In fact, the policy focus is to develop a dynamic capital markets in Ghana by diversifying the range of instruments to gradually build the yield curve for Ghana. The existence of a long term credit yield curve enables businesses and institutions to gauge cost of capital and rates of return, and thus facilitate informed investment decisions.

Ladies and Gentlemen, the Bank of Ghana is especially interested in the domestic capital markets also because it acts as a transmission channel for monetary policy. At the moment the Government securities forms a predominant part of the overall debt market and interest rates in this market provide benchmarks for the system as a whole. It is important to extend the yield curve, while encouraging public issues by corporates on the market.

As government and the private sector bond and equity markets develop, Ladies and Gentlemen, they would facilitate the development of new products and in particular, facilitate the intermediation of funds more competitively and contribute to a culture of long term savings as an objective envisaged by the long term savings Act.

As a commitment to the development of the domestic capital market, the Bank of Ghana introduced the Central Securities Depository (CSD) system, which became operational in 2005. The depository has seen increasingly large volumes of activity in terms of transactions in equity. The system has curtailed unnecessary delays in settlement, and it minimizes fraud. This is expected to greatly enhance the automation of the trading system of the Exchange.

Ladies and Gentlemen, what we are seeking to develop is a capital market that will enable businesses to tap long term savings and investible funds. I am particularly happy that gradually corporates are increasingly moving in this direction and what we are witnessing today is a good example.

It is important for the Ghana Stock Exchange in collaboration with the SEC to encourage market participants with diverse characteristics in terms of transaction needs, risk profiles and investment horizons, to a greater boost to the market. The long term savings Act and the pending pension reform are bound to result in an increase in demand for long term debt securities. It is very important that we prepare ourselves through education to demystify the processes involved in listing and investing on the exchange and highlight its value as an avenue for raising medium to long term capital as well as making capital gains.

Distinguished Guest, Ladies and Gentlemen, let me close by noting that it is important we all play our part in developing a deep and efficient market, which would help to channel domestic and international capital for investment in this economy.

On this note, Mr. Chairman, let me once again congratulate the management and staff of ECOBANK for the successful listing on the Exchange and wish them well as they contribute towards the development of the capital market in Ghana.

Thank you very much for your audience.