

## **Henry A Kofi Wampah: Making Ghana's financial system more efficient**

Speech by Mr Henry A Kofi Wampah, Governor of the Bank of Ghana, at the launch of the Collateral Registry Ghana, Accra, 8 May 2013.

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Honourable Minister of Finance and Economic Planning,  
Your Lordships (Justices of the Superior Courts), Your Excellency, the Swiss Ambassador,  
Officials of the International Finance Corporation (IFC), Officials of the Swiss State Secretariat for Economic Affairs (SECO),  
Stakeholders of the Banking and Financial Sector of the Economy,  
Executives of the Ghana Bar Association,  
Government Officials,  
Heads of Department and Staff of the Bank of Ghana  
Invited Guests, Ladies and Gentlemen,  
Good morning,

It is my greatest pleasure to be here at this important occasion for the launch the Collateral Registry Ghana. What we are witnessing today is historic because this Registry is the first movable and immovable asset Secured Transactions Registry in Africa and has been established at an opportune time to address some fundamental challenges in our credit system and the economy as a whole.

Mr. Chairman, the Ghanaian financial sector has gone through almost two decades of restructuring and transformation. The Bank of Ghana, together with the appropriate Government Agencies, has worked on a number of reform programmes to improve the efficiency of the financial system.

Structural reforms have been undertaken in the capital market, money market, banking and non-bank financial institutions and the settlement and payment systems. As a result of these, we now have a robust and diversified financial system. There have also been extensive reviews of the regulatory frameworks underpinning the financial sector, alongside enactment of new laws to strengthen supervisory powers of financial sector regulators.

Mr. Chairman, deepening financial intermediation is one of the critical objectives of the Bank of Ghana. Indeed, complaints from both borrowers and lenders about the lack of transparency in credit access strengthened the resolve of the Central Bank to address the issue. On one hand, borrowers complained about high interest rates, hidden charges, non-disclosure of pertinent information and unfair denial of access to credit. Lenders on the other hand, were worried about high default rates, difficulties of foreclosing on collateral through the courts and the misapplication of funds by borrowers.

Thus, the passage of the Borrowers and Lenders Act, 2008 (Act773) paved the way to address some of these challenges. The Act, among others, augments existing legislation governing credit delivery and also seeks to promote a Secured Transactions Regime (STR) with defined legal framework for credit, improved standards of disclosure, transparency and speedy enforcement mechanisms. Mr. Chairman, an important organ to be established by Act 773 to facilitate the achievement of these objectives was the Collateral Registry.

Soon after the passage of the Act in December 2008, the Bank, commenced activities towards establishing a Collateral Registry. On the 1st of February 2010, the Bank established a functional semi-automated Collateral Registry. In line with international best practices, the Registry is to provide services such as:

- Registration of charges and collaterals.
- Provision of avenues for lending institutions and the general public to conduct searches on registered charges and collaterals.
- Assisting in speeding up realisation of collaterals upon default by a borrower.
- Effecting discharges of registered charges and collaterals upon application by the lender or the registrant and
- Renewal of registration.

Following its establishment, the Bank moved a step further and collaborated with the International Finance Corporation (IFC) which also seeks to promote access to credit in Africa, to upgrade Ghana's Collateral Registry to an international standard Secured Transactions Registry. The Project with IFC involved upgrading of the systems, processes and the underlying legal and regulatory framework of the Ghana Collateral Registry to a standard which would be comparable globally.

The Swiss State Secretariat for Economic Affairs [SECO] provided a grant to enable IFC with local support from the Bank of Ghana, implement the project. This included a legal review component which resulted in the issuance of rules for effective implementation of Act 773 and amendments to the Act. Also, a Web-based Registry system has been developed and was rolled out, on 25th June 2012, ensuring full-automation and global access to the services of the Registry.

In the area of capacity building and public awareness, the Project has undertaken several training programs for financial institutions on the Web-based Collateral Registry System. Also, seminars have been held for Lawyers, Law Firms, Commercial Court Judges and respective Associations on the provisions of Act 773, and the operating rules of the Registry.

Mr. Chairman, let me say that within three years of operation, the Registry has performed remarkably. By the end of March 2013, a total of 49,096 charges (secured loans) with 104,308 collaterals had been registered. Of these, 80.6 per cent were movable assets, 13.3 per cent were immovable assets and the rest consisted of both movable and immovable types.

Almost 160 institutions (both local and foreign) have so far accessed the Registry for registration. There have also been 14,608 searches conducted by various lending institutions, law firms and the general public.

Since its inception, the Registry has attracted significant interest from sister Central Banks on the continent. Delegations from several African countries have visited the Registry to study the processes involved in its establishment and the Redesign Project.

Mr. Chairman, despite this impressive performance, there are a few challenges which the Bank has to deal with to ensure that the full benefits of Secure Transactions Regime benefit the economy. The most important of these which requires immediate policy focus is the problem of duplication of registration and disjointed records associated with the absence of harmonization between the Collateral Registry and other registries such as the Company's Registry, the Lands Commission and the Driver and Vehicle Licensing Authority (DVLA).

Mr. Chairman, Ladies and Gentlemen, it is appropriate for me at this juncture to acknowledge the immense contributions of SECO and the IFC in the redesign of the Collateral Registry and hope that the collaborative efforts will continue even after the project has ended. I will express our appreciation to the lending institutions, Ghana Bar Association, the Judiciary and other state agencies and stakeholders for their support in this effort to upgrade Ghana Collateral Registry to an International Secured Transactions Registry.

On its part The Bank of Ghana will continue to pursue policies aimed at achieving its objective of price stability as well as ensuring orderliness in the foreign exchange market.

Our inflation target for 2013 which is in line with the broader macroeconomic targets (including the budget deficit of 9.0 per cent, real GDP growth of 8.0 per cent including oil or 6.5 per cent excluding oil and a broadly stable exchange rate) remains at 9.0 per cent.

### **Recent trends in inflation**

Inflation rose from 8.8 per cent at the end of 2012 to 10.4 per cent in March 2013. This is consistent with the Bank's projections as the increases in February and to a lesser extent in March reflected the effects of the recent upward adjustment in petroleum prices in February as well as seasonality of food prices. We expect the upward trend to work itself out by the end of the first half of the year and then decline towards the end year target.

### **Exchange rate developments**

Recent trends in the exchange rate also reflect seasonality in the demand and supply of forex in the foreign exchange market. Seasonally, demand is high around this time of the year due to the settlement of import bills after the festivities (Christmas and Easter) as well as demand from the corporate sector to meet dividend transfers, which is legal and happens every year around this time. On the other hand however, supply is also low at this time of the year as most of our forex receipts come during the second half of the year. These pressures have occurred in the past and they are consistent with past trends.

The central bank will continue to ensure stability on both fronts – Increase supply of forex on the market (as we are currently comfortable with the level of our reserves – US\$ 5.2 billion as of end April). The slight decline in the reserves from the end-December 2012 stock of US\$ 5.4 billion is in line with seasonal trends. The country has currently witnessed a decline in the terms of trade. This decline may however be compensated for by increased oil production this year and the onset of gas production towards the end of the year.

On the demand side, the Bank will continue with its tight monetary policy stance. Policies implemented in the second quarter of last year will not be relaxed. These should be able to restrict demand for forex. Currently, cedi assets continue to be more attractive in terms of yields than forex assets and we intend to maintain that going forward.

Meanwhile, the Bank will continue to apply the foreign exchange Act and regulations vigorously. Any institution (including Banks) that fall foul of the laws will be sanctioned appropriately. We intend to ensure that the cedi remains the only legal tender in this country. In this regard we need the co-operation of the Banks (forex dealers), the state institutions and all other relevant institutions to achieve this.

The bank will assess the macroeconomic situation during its next MPC meeting (May 20–22). Based on the outcome we will determine if there is the need for any additional measures. As at now, we believe the measures are sufficient to deal with the seasonalities.

### **Bond issue**

There are initial discussions on the possibility of issuing a sovereign bond this year. However, no firm decision has been taken on its size and purpose.

In the mean time, we wish to advise all banks to strengthen their research departments so that their work can inform the comments of their executives on key macroeconomic issues.

Finally, as we officially launch the Collateral Registry, I wish to assure all stakeholders that the Bank will continue to work to improve credit access, which is important for economic growth.

Ladies and gentlemen, I declare the Collateral Registry Ghana duly launched. Thank You and God bless you all.