

## Paul A Acquah: Financial fraud

Speech by Dr Paul A Acquah, Governor of the Bank of Ghana, at the opening of a seminar on financial fraud investigation for police and bank investigators, held at police headquarters, Accra, 18-19 May 2006.

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Mr. Chairman,

Honourable Minister of Justice and Attorney General,  
Inspector General of Police (IGP) and Deputy IGP,  
Director General, Criminal Investigations Department,  
Managing Directors of Banks,  
Representative of Association of Bankers,  
Senior Police Officers and Officers,  
Members of the Press Corps,  
Distinguished Ladies and Gentlemen!

I am grateful to the Police Administration and the organisers of this very important seminar for inviting me to deliver a speech this morning. Given the importance of the topic, namely **Financial Fraud Investigation**, I could not resist the invitation, in spite of the short notice. The topic, the participants and the timing, all are of interest to the Bank of Ghana (BOG), so far as this event is concerned. It is in this regard that I have to congratulate the organisers and the participants for making this event happen.

Mr. Chairman, What can I say? I have been requested to deliver a speech without a topic. This gives me the opportunity to talk about anything that will be of interest in this forum. I have therefore decided to make some general remarks on the topic. Admittedly, the phenomenon of financial fraud which manifests itself in various ways has been confronting nations and the international community from time immemorial. Unfortunately, its form and scope keep changing and expanding with time and with advances in technology.

What at all is that phenomenon christened "**Financial Fraud**"? What are its effects? How can its negative impact be controlled or reduced? Who should be responsible for dealing with the problem?

Mr. Chairman, take the case of bank fraud. Bank fraud has been legally defined as

*"The criminal offence of knowingly executing, or attempting to execute a scheme or artifice to defraud a financial institution, or to obtain property owned by or under the control of a financial institution by means of false or fraudulent pretenses".*

Bank frauds are perpetrated by insiders or outsiders to the bank or by way of a collusion between them. Their acts take the form of embezzlement, misappropriation of funds, aiding and abetting, making false entries in books or statements making false statements in credit applications, money laundering and other fraudulent practices.

Mr. Chairman, the effects of these nefarious activities on financial institutions and their stakeholders as well as on the national economy can be devastating and the vulnerability of banks to such fraud has been heightened by technological advancements. Its economic cost can be huge in terms of its disruption of the workings of the market, financial institutions, and the payment system. Besides, fraud can be a very potent force in terms of its impact on confidence in the banking system; damages to the integrity and stability of the economy; it can collapse banks (like BCCI and Ghana Co-operative Bank), undermine the central bank's supervisory role and even create social unrest and discontent and political upheavals for Government. The Pyram and Resources 5 (R5) episodes in the late 1990s testify to this. The negative list of financial fraud can be endless. It is for this reason that some commentators have concluded that "**fraud prevention is as important as prudential supervisions**".

Mr. Chairman, since Ghana's independence in 1957, the key organs of the State, namely policy-makers, law-makers and the courts as well as the financial regulators have taken various measures within their respective spheres of power to deal with all forms of fraudulent activities. Some of the measures taken include:

- the passing of the Criminal Code, 1960 (Act 29), as amended, to deal with fraud, dud cheques, forgery, etc.;
- the Internal Revenue Act, 2000 (Act 592) that controls tax evasion;
- Customs, Excise and Preventive Services (Management) Act 1993 (PNDCL.30) which concerns evasion of duties;

The Banking Act, 2004 (Act 673) that contains some provisions intended to prevent bank fraud; and the Serious Fraud Office Act, 1993 (Act 466) empowers SFO to monitor, investigate and prosecute offences involving serious financial or economic loss to the State, where the State has an interest in the entity.

Within the last decade or so the nature and methods of financial fraud in Ghana and globally have changed, as a result of the advent of new criminal activities and new technology which facilitates easier and faster transfer of laundered money, that could be used to finance suspicious activities.

At the executive/legislative and the central bank levels, new moves have been taken to combat financial fraud. At the governmental level for example new laws have been passed to deal with the new challenges. The laws include: the Public Procurement Act, 2004 (Act 663), Internal Audit Agency Act, 2004 (Act 658) and the Financial Administration Act.

To reinforce these moves in order to mitigate the incidence of fraud of all sorts, other Bills which contain clauses touching on financial fraud are at various stages of becoming law. The key ones are: Anti-Money Laundering Bill, Electronic Transaction Bill, Computer Misuse Bill (to support electronic banking) and Credit Reporting Bill.

Mr. Chairman, apart from the BOG's collaboration with Government in facilitating financial law-making the BOG has over the years initiated a number of financial fraud interventions that should be of interest to this forum. There exists a fruitful collaboration between the BOG and the Law Enforcement Agencies in financial crime prevention and prosecution.

Similarly, the banks in Ghana have shown invaluable understanding and co-operation with the BOG in enforcing the Know Your Customer Policy guidelines, in order to weed out suspicious characters from the banking system. Above all, the BOG's in-house Investigation and Consumer Reporting Office handles public complaints that touch on various matters including alleged financial frauds.

I should hasten to add that the BOG co-operates with international financial institutions in fighting the cross-boarder aspects of financial fraud.

Mr. Chairman, I am convinced that the most critical tool that can be used to combat financial fraud in our environment is collaboration within constitutional and statutory bounds among all the institutions of the State that have a part to play in the detection, investigation and prosecution of financial frauds in every aspect of our national lives.

In the sphere of banking, you would agree with me that the supervisor is the frontline investigator, which solely or in co-operation with the Directors of banks complain to the police or Serious Fraud Office for further action, where necessary. By this approach, the letter and spirit of the Constitution which created all the investigators will be upheld.

Mr. Chairman, I wish to end on the note that financial fraud has always been and will continue to be a topical issue in the financial world. While I urge investigators to continuously review their investigative procedures to cope with the level of sophistication associated with present-day financial fraud, I recommend that the courts be made part of such seminars in order for us all to benefit from the interdisciplinary discussions that take place. The speedy delivery of justice and decisions of the courts are critical to our effectiveness in combating fraud.

I thank you for your attention.