

Kwesi Bekoe Amissah-Arthur: New Primary Dealer System for Ghana

Opening address by Mr Kwesi Bekoe Amissah-Arthur, Governor of the Bank of Ghana, at the Stakeholders Workshop for New Primary Dealer System, organised by the Bank of Ghana and the Ministry of Finance and Economic Planning (MoFEP), Accra, 9 December 2010.

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I am very happy to join you at this workshop which is the result of the collaborative effort of BoG and MoFEP to enhance further the financial market in Ghana.

Efficient and effective financial intermediation is crucial in any country's development and it is imperative that the necessary infrastructure is put in place.

Beginning with this workshop, therefore, work on reforming the Primary Dealer System has started and you will be introduced to new guidelines that will control the system.

Primary Dealers are financial intermediaries who promote investment in issued securities. In the developed securities market a Primary Dealer is licensed only after a long period as a demonstrated participant. However, the Ghanaian wholesale market was started on a different note. In addition to a few licensed brokerage firms, all the Banks and Discount Houses existing at the time were made automatic primary distributors. It was envisaged that with their wide coverage, the Banks could promote the retail distribution of Government Securities.

In March 1996, in consultation with dealers in the market, the Bank of Ghana stopped the retail market of Treasury Bills. It was envisaged at the inception of the wholesale auction that the primary market would be stimulated and broadened through increased competition for the evolution of a more efficient and dynamic secondary market.

Despite the interventions, the market is yet to exhibit the dynamism that characterizes financial markets in the advanced economies. A number of weaknesses account for the inability of our Primary Dealer system to produce the desired objectives.

The proper functioning of a deregulated financial system and the implementation of indirect monetary controls require a substantially liquid inter-bank market for Government securities. The reasons this has not happened include:

- lack of commitment of the Primary Dealers to undertake Government securities transactions as a line of business
- the weak financial strength of licensed brokerage firms that do not have the required wide net work to reach the non-bank public
- over 80% of Government securities are taken up and held by Banks. These are seen more as investments rather than as trading stock, and have therefore tended to hold stocks of securities to maturity
- Government securities are seen by some Banks and other institutions as competing with their products that are offered by them to the same clients.

A number of initiatives have been introduced in the market infrastructure to facilitate securities trading among Primary Dealers. These include:

- the Central Securities Depository which provides custodial services to investors in Government Securities. This brought to an end the issuing of certificates for Government securities
- the electronic bidding system for the auction of Government securities on the primary market which replaced the manual system for the submission of bids

- the Ghana Inter-bank Settlement System (GIS) which has facilitated the settlement of Government securities.

I wish to encourage you all to discuss the proposed Guidelines dispassionately and contribute positively to fashion out an efficient Primary Dealer system that a dynamic economy requires.

Thank you for your coming and I wish you success in your discussions.