



DEPUTY GOVERNOR'S SPEECH ON THE LAUNCH OF GUIDELINES FOR REPURCHASE AGREEMENT IN GHANA

**Central Bank Governors,
Ministers of Finance,
CEO and representatives from the International Capital Markets Association (ICMA),
CEO and representatives of Frontclear,
Representatives from the International Monetary Fund,
Members of the governing council of the Ghana Fixed Income Market (GFIM),
Investors,
Distinguished Guests,**

Good morning to you all.

I welcome you to this occasion of the launch of Guidelines for Repurchase Agreements in Ghana.

1. Purpose and rationale behind the Guidelines:

A 2017 Barclays Africa (now ABSA) African Financial Markets Index, noted that of the six pillars they used in the assessment of African financial markets, improving the legal and regulatory frameworks through establishing the legality and enforceability of standard financial markets master agreements of the Ghanaian financial markets could provide a major boost and enhance liquidity in the bonds and equities markets.

The results of the Barclays survey noted that in Ghana, ISDA documentation (International Swap and Derivatives Association) was well recognized but Global Master Repurchase Agreement (GMRA) was in limited use, Global Master Securities Lending Agreement (GMSLA) was rarely

used and the insolvency framework needed to be strengthened. Therefore in 2017, a stakeholder committee in Ghana, led by the central bank agreed on a simple regulatory environment by following the international 'norm' but customizing it to the local environment. Some of the reform measures that were identified that could improve the legal framework for the financial markets in Ghana was the adoption of GMRA for repo trading and at a later stage the GMSLA for securities lending, the linking of the local Central Securities Depository (CSD) to international clearing platforms like Euroclear and the strengthening of the insolvency framework in Ghana.

The Ghana Fixed Income Market (GFIM) governing council, which has been mandated to promote secondary market trading of securities supported the setup of a stakeholder committee with representation from the Ministry of Finance, the Bank of Ghana, the commercial banks, a lawyer from a private law firm, the Ghana Stock Exchange and the Ghana CSD to come out with the Guidelines for a GMRA-based repo trading in Ghana, a Country Annex and any other annexes to the GMRA that was required.

2. The role of repos

Repos and reverse repos can be effective instruments for the conduct of monetary policy market operations by the central bank. In Ghana for example we make use of a symmetric corridor in which repos with the central banks are conducted at the policy rate minus one percent and reserve repos are conducted at the policy rate plus one percent. When properly structured, repos are effective vehicles for the monetary policy transmission process and can be used to defend the monetary policy rate.

Repo markets are also a key requirement of liquid Government debt markets, acting as a bridge between money and debt markets. Repos conduct key functions for the efficient operation of debt markets; including, credit risk management, funding debt portfolios playing the yield curve and covering short positions and settlement failures. Repos are a versatile instrument for a broad range of market participants with very different business models due to their hybrid nature; serving between a collateralized loan and a full transfer of ownership.

3. Core structure and content

These guidelines have been developed in consultation with key market stakeholders in the financial sector namely: Ghana Fixed Income Market (GFIM), Central Securities Depository (CSD), with technical support from International Capital Markets Association (ICMA) and Frontclear.

Our guidelines are set up to enforce the Global Master Repurchase Agreement (GMRA) and define with respect to applicable law all relevant aspects of repos traded in Ghana. Key changes set out in these guidelines include; the absolute transfer of the title, rights, interest and benefits of any security used as collateral, the expansion of eligible instruments that can be used as collateral and the requirement for margin maintenance.

4. Market implementation including targeted training together with Frontclear

The implementation of the guidelines will require training for stakeholders. The Bank of Ghana together with Frontclear will be organizing a series of training programs starting from next week for all major players in the repo market. These training programs will cover legal requirements for the judiciary and legal fraternity, as well as accounting, settlement, margining and collateral management for middle and back office of our financial institutions.

5. Market development expectations

The adoption of these guidelines I believe will not only ensure legal certainty and enforceability but will also improve market transparency, liquidity and participation. In conjunction with the development of the guidelines, Ghana is in the process of getting a corporate insolvency bill passed, and the BoG will issue a notice to clarify the eligibility of netting arrangements under the current Banks and Specialized Deposit Taking Institutions Act (BSDTI Act). This will make Ghana only the third netting positive jurisdiction in Africa and we look forward to the positive effect this will have on our economy.

Looking ahead we hope to develop our Repo market to grow beyond the borders of Ghana to improve intra African trade. It is my firm belief we would one day be here again for another launch but this time for whole of the African continent.

6. Learning and challenges ahead

As with any new journey it will come with its own challenges but with the lessons learned from developed markets we hope to surmount any challenge.

To my fellow African Governors, I encourage you to share with us for those who have more developed repo markets and to those who are now starting, let's come together and work to make the African financial markets the next destination of global investors.

To our partners, your technical assistance is invaluable. We will continue to rely on your support to build capacity and achieve similar milestones in our markets.

In conclusion I will like to say a thank you for honouring our invitations. I would also like to encourage all of us to use this platform to engage with each other to discover what mutual opportunities there are to share.