



Launch of the Absa Africa Financial Markets Index 2019

**Keynote Address by Dr. Maxwell Opoku-
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Ghana**

**The Ritz-Carlton Washington Hotel 1150
22nd Street, N.W.
Washington, DC 20037**

07:20 – 07:30 AM

Ministers of Finance

Governors of Central Banks

Management and Representatives of OMFIF

Management and Representatives of ABSA

Executives of Financial Institutions Present

Representatives of the IMF

Distinguished Ladies and Gentlemen

A very Good Morning to you all

1. Let me first begin by thanking OMFIF for extending an invitation to me to be the keynote speaker at the launch of the Absa Africa Financial Markets Index 2019. It is indeed a great pleasure to be able to join you today and to also join such seasoned distinguished guests to deliberate on important issues bordering on capital market development, benchmarking regulation against global standards, overcoming regional integration challenges, and the use of new technology and data sharing to improve efficiency and innovation on the African continent. These are critical issues that confront African countries as they strive to attract foreign investment for sustainable development and poverty reduction.

2. The ABSA African Financial Markets Index was first launched in 2017 by OMFIF and Barclays Africa Group (now ABSA Group Limited) through extensive quantitative and qualitative research and analysis. It is in its third year and has become a key reference point in the assessment of the development of African Financial Markets. The Index assesses countries according to six pillars: market depth, access to foreign exchange, market transparency, tax and regulatory environment, capacity of local investors, macroeconomic opportunity and the legality and enforceability of standard financial markets master agreements.

3. In 2018, the index increased its coverage to include Angola, Cameroun and Senegal, which brings to twenty the number of African countries covered. Over the years, there have been new initiatives and policies by the countries covered under the survey that have led to growth in their Financial Markets and consequently, in the wider African financial sector. Most countries have shown progress in their financial sectors over the last two years of ranking by focusing on one or more of the pillars.

4. Kenya, Morocco and the Seychelles have had the largest improvement in their rankings over the last year, particularly with respect to access to foreign exchange. Nigeria's score has also strengthened, due to policies augmenting market depth and enhancing the capacity of local investors. The index has therefore served as a guide to where analyst and policy makers must focus in trying to improve their financial markets to attract investors. This year's edition is to focus on policy and market development initiatives and will undoubtedly boost developments in the regional financial markets.

5. Ladies and gentlemen permit me to share with you how the ABSA Financial Markets Index is helping to shape the policy dialogue in Ghana. The 2017 Barclays Africa (now ABSA) African Financial Markets Index, noted that of the six pillars 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.

6. 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 key reform measures that could improve the legal framework for the financial markets in Ghana.

7. These included 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 result of these reform initiatives is the publishing of guidelines for a GMRA-based repo trading in Ghana, a Country Annex and country annexes that was just yesterday launched herein Washington D.C.

8. Apart from being a vital source of secured financing for banks and financial institutions, and a key tool for the implementation of monetary policy, repos also offer a low-risk and liquid investment for cash, as well as the efficient management of liquidity and collateral by financial firms and can be used to hedge or modify the risk profile of portfolios.

9. Netting rights and setoffs are generally recognized and upheld under Ghanaian law. With respect to the banking sector, the BoG will issue a notice to clarify the recognition of netting arrangements in financial contracts in the Banks and Special Deposit Taking Institutions Act, 2016 (Act 930) in support of efforts to recognize Ghana as a netting positive jurisdiction.

10. Our experiences in Ghana as a major destination for higher yield-seeking non-resident investors, tells us that access to foreign exchange, the Pillar 2 of the ABSA Financial Market Index, is an important consideration for both bond and equity investors. These investors many times would like to repatriate coupon proceeds, sometimes principal repayments on matured bonds and dividends in hard currency. This is more so during periods of tighter global financing conditions.

11. It is therefore important to develop liquid, deep and efficient domestic interbank markets that can support these foreign investors to give them the required comfort to continue to invest in our markets. It is our view that a liquid interbank market can be well supported when the central bank has adequate foreign reserves. It is for this

reason that the Bank of Ghana has in the past few years focused on building on our foreign reserve buffers to support our price stability mandate.

12. The capacity of local investors, pillar 4 of the Absa Africa Financial Market Index is an important pillar which becomes more critical going forward. In Ghana, we are beginning to realize the important role that institutional investors such as our pension funds, asset managers and insurance firms could play in not only financing part of government budget but also providing long-term funding for capital projects. This has become important as we seek to find the right balance between domestic and foreign sources of funding.

13. That said, there is more work to be done as we seek to develop the domestic market to enhance efficiency and create the needed market for capital.

13. Let me, at this juncture, turn attention to how we can leverage on new technology and data sharing to improve efficiency and innovation on the African continent. Presently, Ghana is transitioning to a new kind of retail banking system where a large segment of the population previously unbanked, are being absorbed into the financial services sector, via, mobile money. To further expand access to financial services, the Bank of Ghana and Government are initiating policies to further strengthen the financial and payment systems to foster smooth delivery of financial services and engender financial inclusion. Some of these policies included agent registry, national identification exercise and digital property address system. Let me share a few of the initiatives that are already in train:

14. **Developing an Agency Registry:** Agency network has become an important channel for delivering financial services at affordable cost. A digital Agent Registry is rolled out by the Bank of Ghana in collaboration with payment services providers to enhance identification and provide oversight of agent's business. The Registry focuses on mapping and capturing of data on all agent access points and facilitating customers' access to preferred agent point for convenient and efficient service delivery. The

register will also be used to inform stakeholders on operations of agents in violation of regulatory and prudential requirements.

15. **Citizenry Identification through activities of the National Identification**

Authority: The banking industry, through the initiative of the Bank of Ghana, co-operated with the National Identification Authority (NIA) to implement a national identification system that meets the Know Your Customer (KYC) and Customer Due Diligence (CDD) requirements of the banking sector. The identification system is based on biometric technology and would provide continuous verification access to banks at all times. The system is expected to also address incidence of identity fraud at point of transactions and serve as reliable system for profiling the underserved and the unbanked.

16. **Fostering a Digital and Property Address System:**

A Digital and Property Address System, was put in place by Government to allocate addresses to properties through the use of Global Positioning System (GPS) technology. The address system seeks to improve business operations and lessen the burden involved in identifying customer location. A national address registry is expected to be generated to enable financial service providers to validate home and property addresses of customers to facilitate financial service delivery.

17. **Ensuring Mobile Money Interoperability:**

As part of the Bank's policy to transform the payment ecosystem, an interoperability project was implemented to boost the efficiency, accessibility and competition within the mobile money space. Under the project, disparate mobile money platforms were linked to each other through central switch to facilitate funds transfer across mobile money networks. The system is also expected to integrate with interbank payment systems infrastructure to create an integrated and interoperable digital retail payments ecosystem, and facilitate seamless

funds transfer across payment systems. The project has the potential to stimulate uptake in mobile financial services and promote financial inclusion.

18. The points raised above demonstrate that the ABSA Financial Markets Index for which we are launching the fourth edition has become a major reference point for economic policy makers and financial sector leaders in Africa. This is important in our quest to improve upon the efficiency of the African financial markets to attract lower funding sources to better the economic life of our people. I urge ABSA to continue to challenge policy makers using this index, other innovative tools and a forum such as this. On behalf of the Bank of Ghana, I wish to congratulate ABSA for successfully launching the fourth edition of the African Financial Markets Index today and to thank you all for the good audience.

19. To conclude let me state clearly that the potential to expand our economies through structural reforms and initiatives should form the cornerstone of all policies. Ghana's economy is going through a structural transformation and these initiated policies are supporting the move in that direction. As a continent, policies should be focussed on how to develop a vibrant capital market to support growth, how to benchmark our internal regulation against global standards to help improve standards, overcoming regional integration challenges to support growth, and leveraging on new technology and data sharing to improve efficiency and innovation. Let us ponder critically over these issues as we go through our deliberations.

20. I look forward to fruitful engagements and that the key takeaways will help inform policies going forward.

Thank you