



REPUBLIC OF GHANA

**SPEECH DELIVERED BY THE DIRECTOR OF THE FINANCIAL
SECTOR DIVISION OF THE MINISTRY OF FINANCE, MRS.
MAGDALENE APENTENG DURING THE 2016 CAPITAL MARKET
WEEK CELEBRATIONS**

AT

**KEMPINSKI HOTEL GOLD COAST CITY, ACCRA
WEDNESDAY, 12TH OCTOBER, 2016 AT 8:30 A.M**

**MR. CHAIRMAN
CAPITAL MARKET OPERATORS,
POLICY MAKERS,
PARLIAMENTARIANS, JUDICIARY,
ACADEMIA,
LISTED COMPANIES,
DEVELOPMENT PARTNERS
GOVERNMENT EXECUTIVES
CEO'S AND REPRESENTATIVES OF FINANCIAL INSTITUTIONS
INVITED GUESTS FROM THE INTERNATIONAL COMMUNITY
DISTINGUISHED LADIES AND GENTLEMEN,
MEDIA PRACTITIONERS,
A very good morning.**

1. It is a great honor and pleasure for me to be here with you today for the 2016 edition of Capital Market Week celebrations. I would like to take this opportunity to express my gratitude to the Ghana Securities Industry Association (GSIA) for their invitation and especially commend and congratulate them for this initiative and for their show of extreme enthusiasm in organizing this event. I believe that this will be a fruitful and memorable event for all participants.
2. Mr. Chairman and cherished invited guests, Securities markets worldwide have lived in tough and rough times in recent years. Developments and challenges have arisen mostly through a series of corporate collapses and accounting scandals, drawbacks with demutualization and cross-border mergers of securities exchanges. In recent years, the economic slowdown in some developed economies as well as in many developing countries, underscore the importance of prioritizing capital market reforms for economic development.

3. A conducive capital market is a channel through which the wealth of savers is put into long term productive use, through both equity and bond markets. The absence of a well-developed capital market would be a particularly serious disadvantage for any economy. Appropriate levels of equity as well as debt financing are essential for the emergence of growth and innovation which are the key drivers for structural change needed to maintain a country's growth potential. The contribution of the capital markets in this area is a necessity for sustaining the competitiveness of an economy given the current increased international competition and rapid technological progress.

Mr. Chairman

4. I must mention and emphasize that, this event marks an important milestone in our efforts to ensure a stable and efficient financial sector in the mobilization and allocation of resources. The remedies in addressing our economic challenges may be multifaceted, but one crucial piece of the puzzle is the development of a vibrant domestic capital market. I am most inspired with the theme for this week's event, **"Unleashing the Potential of the Capital Market in Ghana"** which is most appropriate and offers a unique platform to congregate all the actors in the capital market space, academicians, think tanks, experts and policy makers (both local and international) to discuss issues geared towards developing the capital market in Ghana.

5. Government's strategic direction is to expand opportunities for all and ensure an accelerated socio-economic transformation in partnership with the private sector. Through various reforms in the financial sector over the years, progress has been made in expanding the range of financing options for businesses seeking to raise capital. We are of the view that these options still remain narrow, dominated by the banking system which generally is only able to offer short-term financing thus denying business of medium to long-term financing for sustained growth.

6. Our market performance continues to be limited by challenges from low participation due to lack of investor awareness, the problem of market illiquidity and thinness, low savings levels and regulatory challenges just to mention a few. The market is also dominated by institutional and foreign investors mainly in pension funds, mutual funds, and insurance companies. This has contributed negatively to the liquidity and depth of the market because of the buy-and-hold practice.

Mr. Chairman

7. The strategic objective of the Financial Sector Strategic Plan (FINSSP II) is to consolidate, deepen and expand the gains made in implementing FINSSP I. These were broadly expected:

- To be the preferred source of finance for domestic companies;

- To promote efficient savings mobilization;
- To enhance the competitiveness of Ghana's financial institutions within a regional and global setting;
- To ensure a stronger and more facilitative regulatory regime and
- To achieve a diversified domestic financial sector within a competitive environment.

8. There is the need therefore to harness all resources to achieve a more robust, deeper and broader financial system. Developing the capital market is therefore an important step in this direction. A well-developed capital market will enable us attract the financing needed for critical investments for both Government and the private sector. Alongside supporting initiatives to close the infrastructure gap, it will inject efficiencies in the operations of public utilities and enterprises.

9. In this regard, Mr Chairman, Government is working on regularly publishing the issuance calendar and extending the domestic yield curve beyond the current 7-year maturity period to widen the scope of financing opportunities. Efforts are underway to reduce the frequency of the issuance of the one-year and two-year notes to promote active secondary market trading of these instruments. The ultimate goal is to make our local capital market a preferred source of financing corporate investment alongside financing the capital expenditure component of the annual budget.

10. Government continues to implement reforms to deepen the domestic debt market. This includes the reopening of securities at auction which has been introduced in order to build benchmark securities and to improve the liquidity of the secondary market and facilitate price discovery. The auction frequency of the 1-year and 2-year notes has been reduced since September 2015, and the number of securities outstanding has already been reduced. The government intends to consolidate the remaining non-fungible securities currently outstanding through switches/exchange offers, buyback operations and reverse auctions, in order to accelerate the process of building up benchmark securities.

11. Government bond listing on the Exchange increased from GH¢9260.60 million in 2013 to GH¢11,963.43 million as at August 2016. This attests to Government's position to continually support the development of our local market and through various collaborative initiatives to improve the structure and create a conducive environment to attract investors among others.

12. Government has also collaborated with stakeholders to create the Ghana Fixed Income Market (GFIM) to facilitate the secondary trading of all fixed income securities and other securities to be determined from time to time. The market is expected to engender greater efficiency, better price discovery, increased liquidity and greater transparency in the secondary trading of fixed income securities as well as bring

secondary trading activities in fixed income securities in Ghana to international best practice standards.

13. In recent times, the development of the domestic capital market has become a key objective of the overall debt management strategy. The efficiency market for government instruments has been greatly enhanced by strengthening the primary dealer system. The review of the primary dealer system has been finalized, and privileges will be awarded to those primary dealers (PDs) who strictly satisfy the agreed obligations. Over time, strict enforcement of the conditions and criteria could lead to a further reduction in the number of PDs.

The book building model has created the opportunity for book runners to engage with important institutional investors such as Pension Funds insurance companies and mutual funds in the lead up to opening the books to inject greater efficiency. The Ministry of Finance now also holds regular Town Hall meetings with institutional investors in order to communicate important information on economic performance to the market.

14. It is also worthy of note that Government's support for establishing the Ghana Alternative Market (GAX) has seen progressive results. Government supported the SEC and GSE to create the GAX to offer an avenue for Small and Medium Enterprises (SMEs) to raise the needed long term capital for the expansion as well as equity capital to new

startup companies. The GAX presents a lot of opportunities for the SMEs in accessing medium to long term capital. Indeed, 4 SME companies and 4 local currency bonds are currently listed on the GAX. In pursuing our capital market development, we should go beyond those which help grow local financial market environment to attracting foreign capital as well.

Mr. Chairman

15. I wish to underscore the fact that sound regulation is crucial and critical to the development and operation of robust capital markets in any economy. The New Securities Industry Act will align our legal and regulatory framework with international standards and best practices as required by the International Organization of Securities Commissions (IOSCO) as well as address weaknesses identified in the current law for further development of the Industry.

16. The regulator, SEC, should efficiently implement the New Security Industry Law to ensure investor protection and efficient market regulation. It is my fervent belief that the new regulatory framework will not only reorient the operations of SEC as it strengthens the operational independence of the Commission, but also enhance the credibility of our country on the global regulatory stage.

17. Mr. Chairman, It is heartening to note that the economy continues to enjoy some macro stability which is increasingly gaining roots and this calls for innovative schemes to generate the necessary long-term resources required for accelerated growth. Though recent macroeconomic developments have been characterized by widening current account and fiscal deficits, fiscal policy has generally been kept tight to stabilize the economy and rein in inflationary pressures.

18. As a nation Mr Chairman, the challenges facing the economy, offer us opportunities to be more innovative and diligent in finding ways of mobilizing resources internally. This has become even more critical as the country has attained a middle income status and resources from our traditional external sources including development partners keep dwindling. The development of the domestic capital market in this regard, is worth pursuing in addressing our economic transformation process.

Mr. Chairman

19. The domestic securities market is growing and Government is committed to the development of this market and more importantly the participation of local investors. I therefore urge all stakeholders present here to increase collaboration in the areas of research, skills development promotion of financial literacy and public awareness programs that will empower the investing community towards a stronger economic growth.

20. I wish to reiterate that the capital market remains the most appropriate source of capital and a trading platform for all businesses seeking to raise long term financing at a relatively lower cost for their operations. We need to rely on this alternative financing route to complement the financing from the banking system. In this way, the private sector will be able to play its role in the development process more meaningfully.

21. Permit me at this juncture, to thank the GSIA for its critical role as it takes up the Capital Market Week mantle from the Securities and Exchange Commission. We look forward to working actively together with you in support of Ghana's transformation agenda. Indeed our financial inclusion strategy which is being developed will ensure that the capital markets agenda features effectively in all the identified pillars of the strategy. These pillars which are the proposed areas of the strategy are:

-  Financial sector soundness and stability
-  Access, quality and usage of financial services
-  Financial infrastructure including innovative delivery of financial services;
-  Financial consumer protection and
-  Financial literacy.

22. In conclusion, the capital market can look forward with clarity and optimism of government's unflinching support. I will urge all present here to prove equal to the challenge of being vehicles for accelerated economic growth for Ghana.

23. Mr. Chairman, invited guests, ladies and gentlemen we thank you all for your attention.