The GH Bankers' Voice 2022

2nd Edition

GAB
Ghana Association of Banks

- Ethics vis-à-vis Digitisation
- Sustainable Finance
- Evolving Retail Banking
- Industry Insights

Banking in Digital Era:

Ethics, Risks, Regulation & more

- Interview with 2nd Deputy Governor (BOG)
- Featured Articles
- Personality Profile

KPMG Powered by KPMG as Knowledge Partner

Pay your utility bills your way

Ecobank simplifies your Ghana Water, Postpaid ECG and DSTV bills payment.

Choose the best payment method that suits you:

On the Ecobank Mobile app
By using the Pay Bills option on the app

Via *770#
Pay for your water bill

On Ecobank Online internet banking

With Omni Lite internet banking for businesses

With Omni Plus, the online banking platform for corporates

In Person
At any of our Ecobank Branches or over 6,000 Xpress Points across the country.

Ecobank MOBILE | Xpress POINT | omni LITE | omni PLUS

DStv | GHANA WATER COMPANY LIMITED

Table of Contents

Foreword

"Customers yearn to see banks that invest in businesses and industries that support transition into a world that is fairer and more sustainable."

Mansa Nettey

President, Ghana Association of Banks

In the ever-changing global business environment, banks have the responsibility to encourage high standards of business behaviour in banking and financial services; based on sound ethical values. Customers are increasingly opting for ethical and value-led banking institutions. In essence, ethical practices play a major role in customers' decisions on where to save and invest their funds. The financial market is dominated by the universal banks; this makes the change to ethical banking an important milestone.

During the last quarter of 2020, the Chartered Institute of Bankers, Ghana (CIB) in collaboration with the Bank of Ghana (BoG) and Ghana Association of Banks (GAB) launched the Ghana Banking Code of Ethics and Business Conduct. The Banking Code of Ethics and Business Conduct were developed in accordance with Section 3(d) of the Chartered Institute of Bankers Ghana Act of 2019, Act 991; and in fulfilment of CIB's mandate of setting standards; and ensuring professional conduct and ethical standards are duly observed and upheld by staff of member banks across the country.
Thus, launch of the Ghana Banking Code of Ethics and Business Conduct stemmed from the strong desire to maintain best banking practices; and to maintain a banking profession that is characterised by distinctiveness and global competitiveness; while contributing immeasurably to national economic growth. Further, it sought to ensure successful navigation and evolution of all banking institutions through the digital era; while tailoring their products and services to meet specific needs of existing customers and prospects.

Most banks are rethinking their previous funding patterns; as customers become increasingly conscious of their investments from ethical banking standpoint. Increasingly, customers look towards banks that make positive social, environmental, and ethical impact on society. Banks are taking important steps towards reforming their portfolios and putting an end to continued investments in businesses and industries with negative impact on the environment and human rights.

Ghanaian banks prioritise funding for a better world. Customers yearn to see banks that invest in businesses and industries that support transition into a world that is fairer and more sustainable. It is refreshing to state, a considerable number of banks score highly during customers' ethical assessments. Environmental issues remain one of the factors considered by customers towards the definition of ethical banking institutions.

The recent influx of app-based banks such as Monzo and Revolut has led to growing interest in ethical considerations among banks in the industry. Another major consideration for ethical banking is transparency. Customers are increasingly considering how banks report on their operational impact, investment record; and fair treatment of employees and customers. A derived benefit is the potential for banks to retain existing customers; attract prospects; and to enhance their competitiveness at both domestic and international levels.

Banks formulate and develop ethical policies to provide clarity and accessibility in relation to their operations; and to provide services that address specific needs of customers. Further, banks publish a clear set of ethically focused principles to enable customers have better understanding of their ethical values. Banks champion legislative reforms to improve transparency; ethical considerations and credentials. Institutions in the financial sector have strategically rolled-out measures to enhance socially responsible and purposeful banking through effective implementation of ethical practices. In addition to the preceding qualities, our banks continue to maintain strong credentials on customer values, transparency, and positive investments.

As institutions in the financial sector including banks continue to build on the digital banking momentum, it is important to ensure the banking experience is humanised, irrespective of the channel adapted for services delivery. Some derived benefits include improved customer satisfaction; and sticky relationships, especially with younger customers.

Banks are increasingly reshaping preferences and behaviours of customers in a post-pandemic era. Digital banking contributes to overall satisfaction and robustness of banks. A recent survey revealed many customers desire high-touch interactions for more complex products and services such as financial advice and mortgages; and adaption of digital channels for simple transactional activities.

Banks have real opportunity to meet customers' latent need for the human touch in digital channels. Further, they have been presented with a unique opportunity to increase stickiness, strengthen relationships, and influence customer preferences for digital channels. Banks are capitalising on the momentum in the use of digital and self-service channels; while elevating customer experience with an innovative blend of human and digital features. In fact, banks consistently work toward seamless flow of data across digital and physical channels to assure a 360-degree view of their respective customers.

The new digital banking behaviours are contributing to sticky relationships; a useful derivative in the midst of evolving

> **"The new digital banking behaviours are contributing to sticky relationships; a useful derivative in the midst of evolving social, economic, cultural, and technological trends."**

> **"Digital banking has heightened the convenience for customers to make withdrawals, check account status, transfer money; and to pay bills. In addition to the foregoing, the novel digital tools ease access to alternative financial options from banks and digital-only competitors."**

social, economic, cultural, and technological trends. In addition to tailored services, customers seek increased convenience, flexibility, and instant gratification after the pandemic experience. Fortunately, banks address these expectations in parallel through concerted efforts to humanise interactions with customers; and to render baking more convenient across digital and physical channels.

Institutions in the banking sector have made remarkable progress in improving trust in lending and general banking services delivery by placing customers first; treating them fairly; and providing the right guidance. Due to the foregoing qualities, banks' customer satisfaction consistently remains at a healthy level. This has limited the desire for customers to explore investment options outside the mainstream traditional banking system; and contributed to reduction in the unbanked population.

In addition to the digital channels, episodic in-person interactions in branches among cohorts are encouraged to ease understanding; while creating comfort. In the midst of the digital evolution, branches remain critical to banks' overall revenue growth; and strengthening of customer relations. However, it behoves banks to capitalise on the digital banking evolution to blend both digital and human experiences. The increasing proclivity to utilise both digital and physical channels has given rise to a new set of expectations for interconnected experiences in the financial sector.

Digital banking has heightened the convenience for customers to make withdrawals, check account status, transfer money; and to pay bills. In addition to the foregoing, the novel digital tools ease access to alternative financial options from banks and digital-only competitors. The net effect is stickiness with primary banks. More importantly, banks are encouraged to rethink the digital banking experience while expanding their offerings with focus on high customer loyalty; and institutional ethical practices.

Banks over the years, have personalised experiences to alleviate customers' perceived security risks; while upholding strong ethical standards. Increased digital transactions bid well for the cost-reduction plans and topliner growth of banks. It is refreshing to state, our banks are delighted to observe consistent surge in digital adaption; and are constantly strategising to coax customers towards embracing sustainable digital banking services in a post-pandemic world. ☐

Key Messages

CEO's Message

> **Realising the digital transformation objective without adequate investment in information technology remains a challenge in many global organisations, including banking institutions in Ghana.**

John Awuah

CEO, Ghana Association of Banks

Modern society holds an optimistic view of technology and its increasing variety and sophistication. Digital technology has succeeded in transforming our observation and experience of the world. It is increasingly becoming apparent to businesses worldwide that they operate in digital ecosystems and the constellation of key actors that consistently erase transaction barriers. Businesses, including banks, and other providers of financial products and services rely on these ecosystems to buy and sell their ideas and output. More importantly, transactions in these ecosystems transcend to both traditional allies and potential competitors.

With the immediate requirement for a more digital approach, digital transformation has become a key priority for banks and other financial institutions within the country and across the globe. The COVID-19 pandemic has significantly influenced how businesses and consumers utilise banking products and services; and how they interact with other providers.

This development has urged banks to increasingly manage their services as products; deploy information technology (IT) professionals to oversee their digital strategies; and to take proactive steps towards increasing internal effectiveness to affirm their enviable role in a highly competitive market. The foregoing ensures enhanced efficiency in the delivery of financial products and services; and effectiveness in internal product and operations management.

Information technology services have been identified as an essential component of digital transformation. Realising the digital transformation objective without adequate investment in information technology remains a challenge in many global organisations, including banking institutions.

Generally, customers envisage having exceptional product experience from their respective banks; and banks that are successful in their strides tend to reduce churn; increase loyalty; and have tangible impact on growth. Contemporary digital transformation strategies of banks provide economic support for various business capabilities. Banks that are noted for rigorous pursuit of digital transformation and provision of improved digital services are often characterised by responsiveness and efficiency with its attendant benefit of customer centrism and stickiness.

Improvements in internal efficiencies allow banks to be effective and innovative; and to deliver a better customer experience. Banks' responsiveness to digital transformation would enable them to remain agile and receptive to the market and its growing needs. Thus, improvements in the business capabilities of financial institutions are of the essence in the era of digital transformation; and its attendant risks manifesting in fraudulent digital activities.

The digitisation age is believed to have increased access to businesses, organisations; as well as access to banking and financial services. Unfortunately, the digitisation drive has brought in its wake, growing appetite of individuals and syndicates for bank physical and cyber fraud. One of the overarching responsibilities of any bank or financial institution is to protect the institution's integrity; and integrity of financial transactions in a manner that exudes confidence in the banking population.

However, realisation of the foregoing becomes feasible when banks strategically invest in protective infrastructure; and work hard to secure the financial assets that they hold and manage.

"One of the overarching responsibilities of any bank or financial institution is to protect the institution's integrity; and integrity of financial transactions in a manner that exudes confidence in the banking population."

A major threat to adequate protection of banks' assets is fraud which explains the growing appetite of system hackers, individuals, and syndicates for unethical and criminal access to and possession of funds and assets of targeted banks, or their clients; or both.

Undoubtedly, the pace of digital transformation remains a common knowledge to most people in technology and business. And although the adoption and uptake were gathering steam prior to 2020, the pace is believed to have witnessed further acceleration during the pendency and after the COVID-19 pandemic. Increasing use of digital technology makes cybersecurity a top priority among banking institutions; and unfortunately, for cyber miscreants alike.

Banks remain flexible in their adaption of digital technology; and response to changes in the digitisation age. This flexibility has influenced IT teams in banks and other financial institutions to shift their focus from project-oriented approach to product-oriented approach. Stated differently, the IT teams in financial institutions including banks are concerned about how they could leverage on the massive investment in technology infrastructure by their respective institutions to create more digital financial products and services to meet growing specific needs of existing customers and prospects. Indeed, the orientation of banks towards digital technology has resulted in iterative improvements and provision of more value-added services; while keeping banks aligned to critical business outcomes.

It remains a fact that sophistications in modern technology keep changing on continuous basis; and these changes enhance competitiveness, profitability and growth of banks and other financial institutions. The foregoing notwithstanding, the incidence of fraud within the banking sector appears to run parallel to the improvements in financial digital technology and infrastructure. That is, increased digital transactions have created conduits for high-risk transactions in the banking sector. Stated in different terms, increased volume of transactions through electronic payments (e-payments) heightens fraud attempts in the banking sector; albeit most fraud attempts turn out to be unsuccessful.

Digital transformation within the banking industry has led to the introduction of varied forms of competitors and customers. It has also created new set of ethical responsibilities regarding cybersecurity and use of data in the banking industry. However, the responsibilities emanated from data protection and cybersecurity challenges created by digital transformation for the industry. To address the phenomenon, a three-pronged approach is recommended for implementation. These include regulatory, educational, and business approaches.

Co-operation between the

government and banking industry is required to advance the implementation of regulatory measures among institutions; improve standards; and to enhance operational efficiency and effectiveness. Given the enormity of cyberattacks in prior and recent periods, banks during the current financial year considered it economically and technologically prudent to partner key state institutions such as the Cyber Security Authority (CSA) to ensure effective minimisation of adverse impacts on the services and operations of banks; and within the cyberspace. And to this, I say, the CSA has the full support from the banks to ensure effectiveness in operationalisation of the Cybersecurity Act of 2020, Act 1038; compliance with current and future cyber security directives by the Bank of Ghana; maintaining sound cybersecurity practices; and contributing to the establishment of a resilient cyberspace.

In the area of education, it is imperative for banks to raise awareness among the banked and unbanked population on the risks to cybersecurity; and to remind the public on their responsibilities in keeping transactions in the cyber space safe and secure. During training on cybersecurity, people remain the first line of defence. Statistics reveal, over 70% of security breaches exploit non-technical weaknesses, including attacks that trick customers into revealing legitimate credentials and account information. Understanding inherent risks help banks to develop solid protection systems; and solid training programmes for employees and all other stakeholders.

Despite the noted ethical challenges and responsibilities, digital transformation has introduced some ethical opportunities to actors in the banking industry. One of the ethical opportunities derived by banks from digital transformation is digital financial inclusion. The degree of penetration of mobile technology remains very high; and this has led to democratisation of finance and banking transactions in recent years. Further, banks have the opportunity to access and store large data for multiple benefits: effectively serve existing customers; improve on services delivery to the under-banked population; develop new products and services to attract the unbanked segment of the national population; and to improve staff's general knowledge in digital financial services delivery; while facilitating creation of data repository for the banks.

Moreover, digital transformation has made it possible for contemporary banks to evaluate customers with little emphasis on traditional data. This reduces quite significantly, the cost of accessing unattended markets; or

reaching unbanked customers.

Digital ecosystems have come to stay. As a result, it is imperative for banks to actively engage in them to create value for stakeholders. However, there is a caveat. That is, realisation of the foregoing objective hinges on the development of sophisticated preventive and post-attack response. Improved cybersecurity systems

"Digital ecosystems have come to stay. As a result, it is imperative for banks to actively engage in them to create value for stakeholders. However, there is a caveat. That is, realisation of the foregoing objective hinges on the development of sophisticated preventive and post-attack response."

protection of data integrity and privacy in processing, transmission, and storage; which are essential prerequisites for successful delivery of digital financial services, products; and operations. Actualisation of the foregoing by all key stakeholders would imply strategic and practical implementation of measures outlined in the Cyber Security Act of 2020, Act 1038; BoG's cyber security directive for the banking sector; and actualisation of relevant Sections of the Ghana Banking Code of Ethics and Business Conduct.

On behalf of the Association of Banks, I wish to acknowledge the invaluable contribution of key stakeholders, including BoG, member banks and KPMG, among others, to the creation of content and successful publication of the Second Edition of 'The GH Banker's Voice.' Consistent with the previous edition, the second edition provides a unique platform for continuous engagement and sharing of valuable insights into the efficiency, effectiveness, innovativeness and competitiveness of individual banks and the industry; while upholding ethical standards to propel sustained growth. ☐

Message from the Senior Partner

> Monetary and fiscal policy measures are tightening after having provided a staggering amount of economic support during the global pandemic.

Anthony Sarpong
Senior Partner - KPMG in Ghana

Evolving Macro Contest

The economic outlook continues to be subject to an unusual amount of risk and uncertainty—the war in Ukraine, the possibility of a COVID-19 resurgence, and aggressive monetary tightening against a backdrop of elevated debt levels are all elevating risk levels. The most significant change since our last outlook is the entrenchment of inflation and the reactionary speed of the central bank seeking to contain it. This is a big change for the economy.

Many individuals, groups and organisations have made interesting observations on the trajectory of Ghana's current economic situation, which continues to evolve, as new developments drive paradigm shifts in the macroeconomic indicators that provide some insight into the health of our country's economy. In two years, we've traversed deep uncertainties which have developed subsequently into an overheating economy with broad-based challenges across many verticals raising a myriad of concerns for individuals, households, businesses and the government of Ghana.

These fears are further fuelled by rapid monetary tightening to rein the inflation. Add in rising interest rates, and life seems more unaffordable than ever. That belief has many households worried about their future financial prospects, triggering a negative impact on consumer confidence. Businesses are then reacting to the potential of reduced demand from the household sector with caution around their investment and expansion plans. This narrative is just as true in many countries within the West-African sub region and also around the world. All of these factors have created an environment of heightened uncertainty, introducing new elements of risk into the outlook. We believe high inflation and rising policy rates will take some of the wind out of the sails of Ghana's post-pandemic economic recovery. Household spending and residential investment will be the most adversely affected.

Monetary and fiscal policy measures are tightening after providing a staggering amount of economic support during the global pandemic. As a result, we expect to see real government spending on goods and services decline this year and next. Public investment spending will also drop next year, as some of the stimulus funding winds down.

The monetary side of policymaking is getting more attention. Inflation, again, in most parts of the world is growing at a pace not seen in decades. Even more concerning than the high headline numbers is that price pressures have become broad-based, pushing inflation expectations up and building fears that it will become ingrained. Our forecast calls for a slow deceleration of price pressures, with inflation peaking near its current rate of just below 30 per cent in the third quarter of this year before it steadily decreases.

Despite these factors, we do not expect Ghana to fall back into recession. We anticipate a sharp slowdown in growth beginning next year and lasting into 2024 as the economy reacts to this new higher-interest rate environment. This is reflected in the more conservative growth expectations for the next two years relative to 2021 forecasts for 2022 and beyond.

On the business front, the economic slowdown and the rising cost of capital (due to higher interest rates) may weaken investment. Environmental, social, and governance- related investments have also gained importance in recent years driving the demands to be more responsible and transparent. Profitability has been resilient to the weakened operating environment, helped by debt relief measures, which have generally regulated new NPL generation and loan impairment charges resulting in a less than proportionate elevation of about 0.4%. Ghana's high interest rates underpin wide net interest margins and strong pre-impairment operating profits.

> "We anticipate a sharp slowdown in growth beginning next year and lasting into 2024 as the economy reacts to this new higher-interest rate environment."

Environmental, Social and Governance (ESG)

What's good for people is good for business—and that's why financial leaders see opportunity in ESG. When you think of the financial services industry, chances are sustainability isn't the first thing that comes to mind. That's about to change.

ESG. These three unassuming letters not only stand for environmental, social and governance, they cover an entire development that will change our society, the economy and our behaviour and will thus also have a massive impact on banking. Sustainability is a megatrend that permeates all levels of social life.

ESG requirements are becoming a fundamental challenge for banks to overcome in an environment of low interest rates, rising external operating and capital costs due to regulation and massive headwinds from the COVID-19 crisis. After all, the financial services sector is ascribed a crucial role in the sustainable transformation of the economy. Leaders in the financial sector have already positioned themselves clearly.
It is true that sustainability goals and thus also environmental,

social and governance (ESG) principles have already been increasingly pursued in global capital investments in recent years. Despite the rapid growth of this global phenomenon, many issues remain to be addressed by the financial sector, as standards for ESG investments have not yet been fully defined by regulators and investors.

Banks and all systemically important financial institutions in Ghana should start to assess the implications that ESG factors may have on their business model and core operations in order to map and prioritise the key functions to be addressed (e.g. investment processes, product governance, risk controls, etc.) based on already publicly available regulatory guidelines and market trends.

> **"Through pursuit of ethical practices, banks can acquire brand reputation."**

Ethics & Professionalism

Any discussion on the subject of ethics in banking inevitably requires some elaboration of what we understand by ethics, what are the functions of a bank and the interface between them. This is a daunting challenge. Ethics has been described as the study and philosophy of man with emphasis on the determination of right and wrong. and also as the basic principles of right action, moral principles, moral philosophy, etc. Also, it has been variously interpreted as morally correct, honourable, decent, fair, good, honest, just, noble, principled, righteous, upright, virtuous and so on. This brief taxonomy suggests that it is not easy to precisely delineate the scope of ethics.

A symbiotic relationship is likely to emerge between ethics and competitive advantage. Through pursuit of ethical practices, banks can acquire brand reputation. This should help them expand customer base and increase income. The brand reputation is also likely to attract ethically conscious clients. As a result, the banks will be greatly relieved of the problem of non- performing loans. The banks well-known for ethical conduct should be able to attract and retain bright and honest employees. Thus, they will be relatively free from the problems created by quick employee turnover or inability to hire smart and honest employees. Human resource management would be easier, internal governance would improve and operational efficiency would increase.

Though our banking system is not integrated with the global financial system, the real economy is susceptible to external shocks. Recently there has been a significant slowdown of the growth of exports and imports; the picture of remittances is not particularly bright either. These developments, at least partly attributable to the negative impact of the global supply chain crisis and global economic strain.

While the banking industry continues in resilience, it is imperative that policy makers and other concerned authorities should recognise that there are stresses in the system and promptly initiate actions to redress them. In particular, Bank of Ghana must vigorously pursue its monitoring and surveillance responsibility and ensure full compliance with prudential norms by all banks, including state-owned banks (GCB,CBG,ADB and NIB) which account for about one-fifth of our banking industry's assets and liabilities. ☐

MEMBERS OF THE

EXECUTIVE COUNCIL

OF GHANA ASSOCIATION OF BANKS

MANSA NETTEY - PRESIDENT
GHANA ASSOCIATION OF BANKS
MD STANDARD CHARTERED BANK

DANIEL SACKEY - VICE PRESIDENT
GHANA ASSOCIATION OF BANKS
MD ECOBANK

ABENA OSEI POKU - MEMBER
MD ABSA BANK

HENRY C. ONWUZURIGBO - MEMBER
MD ZENITH BANK

JULIAN OPUNI - MEMBER
MD FIDELITY BANK

KOFI ADOMAKOH - MEMBER
MD GCB BANK PLC

KWAMINA ASOMANING - MEMBER
MD STANBIC BANK

PHILIP OWIREDU - MEMBER
MD CAL BANK

SAMUEL SARPONG - MEMBER
MD NATIONAL INVESTMENT BANK

JOHN AWUAH (CEO) - MEMBER
CEO-GHANA ASSOCIATION OF BANKS

GENERAL COUNCIL
ASSOCIATION OF BANKS


ABENA OSEI-POKU
MD / ABSA


OLUMIDE OLATUNJI
MD / ACCESS BANK


JOHN K. MENSAH
MD / ADB


ALEX K. AWUAH
MD / ARB APEX


KOBBY ANDAH
MD / BOA


PHILIP OWIREDU
MD / CAL BANK


DANIEL ADDO
MD / CBG


DAN SACKEY
MD / ECOBANK

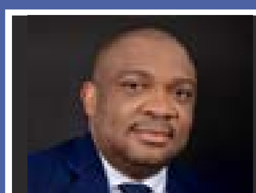

VICTOR ASANTE
MD / FBN


JULIAN OPUNI
MD / FIDELITY


ODUN ODUNFA
MD / FAB


DOMINIC ADU
MD / FNB


KOFI ADOMAKOH
MD / GCB


THOMAS ATTA JOHN
MD / GT BANK


SAMUEL SARPONG
MD / NIB


DANIEL ASIEDU
MD / OmniBSIC

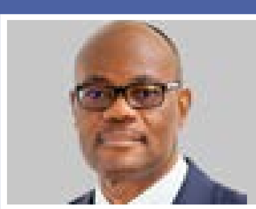

JOHN K. ADDO
MD / PRUDENTIAL

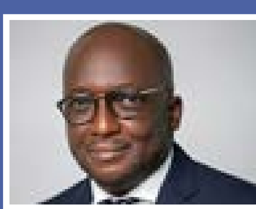

BENJAMIN DZOBOKU
MD / REPUBLIC


HAKIM OUZZANI
MD / SG GHANA


KWAMINA ASOMANING
MD / STANBIC


MANSA NETTEY
MD / STANCHART


CHRIS OFIKULU
MD / UBA


NANA KWADWO DWEMOH BENNEH
MD /UMB


HENRY CHINEDU ONWUZURIGBO
MD /ZENITH

Interview with the 2nd Deputy Governor, Bank of Ghana

Banking Ethics, Corporate Governance, And Sustainable Banking Practices

MRS. ELSIE ADDO AWADZI
SECOND DEPUTY GOVERNOR, BANK OF GHANA

1. What are some of the challenges that Bank of Ghana (BOG) faces with regulating players within the banking ecosystem and how can ethical compliance be enhanced?

The Bank of Ghana (BoG) is authorised by law to regulate and supervise a number of institutions namely, universal banks (and their agents), specialised deposit-taking institutions (SDIs),[1] non-bank financial institutions (including mortgage finance companies, leasing companies), foreign exchange bureaux, and payment systems and service providers including mobile money operators and "fintechs." The objectives for regulating and supervising these institutions are spelt out under law, and include promoting a safe, sound, stable, and efficient financial system, and payments system.

To help achieve these objectives, BoG supervises regulated institutions to promote compliance with rules imposed from time to time and ethical standards that help promote trust, confidence, and integrity in the financial system. Occasionally, institutions fall outside the standards required of them, and BoG imposes a range of sanctions proportional to the breaches observed.

It is however a universally accepted fact that no number of rules, standards, and supervision can, however, completely rule out untoward behaviour by regulated institutions and the people who control and manage them, as we saw from the collapse of certain banks and SDIs in the period 2017 through 2019. It starts and ends with people and specifically insiders. On a more proactive note, BoG has strengthened its due diligence processes for evaluating who can be a significant shareholder (include parent companies), director, or management personnel of a bank or SDI, under its Fit and Proper Persons Directive. We also expect the recruitment of staff and contract workers by regulated institutions to be carried out with the strictest of due diligence to mitigate the risk of fraud and other unlawful and unethical behaviour. Overall, BoG has increased the responsibilities of Boards of Directors and key management personnel of regulated institutions to put in place adequate structures,

1 These are savings and loans companies, finance houses, microfinance companies, rural and community banks)

systems, and processes to instil a risk management culture that promotes compliance with legal and ethical standards in how an institution's business is run. The Corporate Governance Directive published by the Bank of Ghana in 2018 clearly sets out these responsibilities and seeks to promote good governance in the banking and SDI sector and ultimately the safety and soundness of individual institutions and the industry as a whole.

In addition to prudential standards to promote safety and soundness, BoG also has in place a market conduct regime – i.e., rules and supervisory tools to promote high standards in how regulated institutions deal with their customers. Among other things, the "Disclosure and Product Transparency Rules for Credit Products and Services" requires banks, SDIs, and NBFIs to ensure transparency and fairness in the design and offering of their credit and other services especially in the area of pricing and other terms and conditions. The "Consumer Recourse Mechanism Guidelines for Financial Services Providers" also provides a mechanism by which customers can complain to their financial services provider, BoG, and ultimately the courts for recourse where they believe they have been treated unfairly. BoG periodically published findings from its examinations of regulated institutions, breaches identified, and sanctions and other remedial action imposed by BoG. Where appropriate BoG refers cases to law enforcement agencies to conduct criminal investigations and to prosecute offenders as needed.

Also, the Bank of Ghana endorses the Chartered Institute of Bankers, Ghana (CIB)'s Ghana Banking Code of Ethics and Business Conduct which stresses the responsibility of bankers to undertake their duties fairly, honestly, objectively and with independence and integrity to uphold trust and confidence in the banking sector.

2. ***Considering the recent entry of market disruptors into our local market, such as fintechs, who should we now think of as participants in the financial services sector; and how is BOG adapting the reach of regulatory oversight to keep ecosystem players in check?***

Financial technology or fintech is now a mainstream part of banking and finance and indeed disrupting traditional business models all around the world. Its fast-paced exponential growth in recent years is redefining banking as we knew it.

Like many other jurisdictions around the world, Ghana's financial sector has evolved from the days when only universal banks were authorised to provide payments services for customers such as deposit collection and cash withdrawals through branches or ATMs, cheque clearing, bank transfers, and such.

In 2008, BoG issued the Branchless Banking Guidelines to provide a framework for banks and other licensed deposit-taking institutions to offer their financial products and services to customers outside their traditional branches and through a network of agents such as merchants, telcos, fuel distribution companies, and Post Office outlets approved by BoG using technologies such as mobile money and POS terminals, among others. This approach is based on the bank-led model by which customer account reside with licensed financial institutions and agents are accountable to these principals. Agents are not licensed in their own right to provide financial services and can only carry out specific services on behalf of their principals who are licensed financial institutions, Account opening, account-to-account fund transfers, person-to-person fund transfers, cash-in and cash-out, bill payments, merchant payments, and loan disbursements/repayment services.

In 2015 BoG issued new Guidelines (overriding the 2008 Agency Banking Guidelines) for agency banking for financial institutions and introduced guidelines for e-Money Issues to allow the use of electronic money as a retail payments instrument through the use of agents and retail outlets. This regulatory development was aimed at promoting a more innovative and inclusive payments ecosystem while safeguarding efficiency and safety of the payments system.

More recently, the Payment Systems and Services Act, 2019

(Act 987) has given statutory backing for the licensing by BoG of a category of players in the payments ecosystem called Payments Service Providers (PSPs) including fintech firms and Dedicated Electronic Money Issuers (DEMIs - mobile money operators). While banks remain authorised to offer payments related services, these new entrants are now able to participate in the payments ecosystem under licenses issued by BoG.

It is very important to note that the permissible activities of these new entrants as prescribed by law do not include the provision of financial services. Specifically these permissible payments services include clearing and settlement of payment instructions among financial and non- financial institutions, transfer of funds from one account to another using any electronic means or from one electronic device to another, provision of technological services to facilitate switching, routing, clearing and data management, facilitation of interoperability of payment systems and services among payment systems providers, provision of electronic payment services to the unbanked and under-served population, provision of financial communication network, issuing of electronic payment instruments, issuing of electronic payment instruments, prepaid cards, credit cards and debit cards, issuing of electronic payment instruments, issuing of prepaid cards, credit cards and debit cards, printing of non-cash paper payment instruments, payment system aggregation, and provision of any electronic platform for payment or receipt of funds among others.

These new entrants into the payment's ecosystem help to promote innovation, efficiency, convenience, and innovation for customers of financial institutions while expanding access to finance to unserved and unserved economic actors. BoG approves strategic partnerships between financial institutions and licensed payments services provides and, in the process, ensures that the right safeguards are in place to manage risks.

A key area of risk is the rapid evolution of technology-based business models that make it increasingly challenging to delineate fine lines between traditional banking business models with technology providers supporting in the back end, versus the increasingly more fluid digital financial services space where it is not always easy to draw a fine line between where the role of fintechs begin and end. This could create regulatory arbitrage opportunities for players to undertake business beyond what is permissible under their licence and risk management capacity.

The Bank of Ghana continues to closely monitor this evolving space and responds in a way that helps to unleash the benefits of technology-driven processes and products for consumers and the financial system without compromising on its objectives of promoting the stability, integrity of the system.

3. *How is BOG maintaining ethical and regulatory compliance throughout the operations of these new entrants and partnerships with financial institutions?*

BoG has a number of safeguards in place to promote compliance with rules and ethical standards for these new entrants. Through the licensing of PSPs and DEMIs, BoG ensures that adequate governance, technical, and risk management structures and processes are in place. Also, as I mentioned earlier, BoG approves strategic partnerships between financial institutions and licensed payments services provides and, in the process, ensures that the right safeguards are in place to manage potential risks.

BoG has other supervisory and monitoring tools in place to ensure that PSPs and DEMI stay within the scope of permissible activities specified by law and their conduct promotes transparency and fair treatment of customers, and the stability of the payment system.

4. *The rise of digital placemaking has been aided by new digital technologies- technologies that extend beyond mobile apps and cardless payment methods- innovation that extends beyond the smartphone. Has the digitisation of financial services altered the risk profile in the financial ecosystem?*

Indeed, digital placemaking is changing the way we live, work, and transact, at a very fast pace and in ways that are mind-boggling. Specifically, digital technologies are supporting the roll-out of financial services characterised by new business models, intensive use of data and technology, outsourcing, and extensive agent networks.

Digitisation is changing the way financial institutions store and analyse data, with increasing reliance on cloud-based infrastructure which offers among others, cost reduction, processing speed, integrated security, improved scalability, and flexibility. It has also introduced a large number of third-party support service providers into the ecosystem including cloud service providers, artificial intelligence providers, and Distributed Ledger Technology among others, that assist financial institutions to design, manage, and offer innovative products and services to meet customer demands in the digital age.

In Ghana, the banking and SDIs sector has witnessed a digital transformation that continues to evolve rapidly, with an increase in uptake due to the implementation of the mobile money interoperability framework and the Covid-19 pandemic and thanks to partnerships between financial institutions and fintech firms.

The complexity of the evolving digital financial ecosystem significantly changes the risk profile of the banking and payments landscape that require effective monitoring and mitigation. The Bank of Ghana continues to monitor these evolving risks using state of the art supervision tools and will continue to calibrate its regulatory and supervisory approach to help mitigate these and new risks that emerge.

5. From your perspective, do digital financial services reduce or exacerbate existing risks or introduce any new areas for concern?

As I said in my earlier response, the digital financial services ecosystem has significantly changed the risk profile of the banking and payments landscape. It has introduced some new risks, mitigated some existing risks, while it has heightened some existing risks.

The use of digital channels for payments could reduce the number of robberies, fraud and theft which is dominant in a cash-based payment system and economy. It also allows for more accountability and internal controls that help to improve efficiency, financial integrity, and stability of the entire system.

There are however new risks from increased reliance on technology-based models which include outsourcing risk and what is now known as third- and fourth-party risk, basically the risks introduced by providers of cloud and other critical services for data storage, processing, and others. Data privacy and information security breaches are now a real pronounced, and so is agent network risk, outage and technology failure risk, and others.

Also, there are more traditional risk areas that are now more pronounced in the digital financial services space. These include Anti-Money Laundering and Countering of the Financing of Terrorism (AML/CFT) risk, operational risk such as business continuity risk, consumer protection concerns,

and risks to financial stability. Competition risk – the risk of unfair competition and adoption of unhealthy business practices including reduction in service quality and other unethical business practices - is not exactly new but has been exacerbated due to the presence of new entrants like fintechs and DEMIs who may be seen as competing with banks for payments related business traditionally handled solely by banks. It is however important to see the advantages that technology-driven provides in increasing the size of the market so that all players get a fair share of business within their legal remits.
Effective regulation and supervision help to minimise these risks while helping consumers and the system as a whole realise the benefits from digital financial services.

6. What new risk framework is BOG exploring to ensure effective control, soundness, and safety of the financial system?

It is important to keep in mind that the BoG has no powers to regulate the entire financial system as there are other parts of the financial system that are exclusively regulated and supervised by other regulators such as the National Insurance Commission, the Securities and Exchange Commission, and the National Pensions Regulatory Authority. The BoG is mandated to contribute to the promotion of the stability of Ghana's financial system through its regulatory, supervisory, and resolution powers over banking (including SDIs, NBFI, forex bureau) and payments system and service

providers.

Over the last five years, BoG has augmented risk management requirements for banks coinciding with its implementation of the Basel II/III capital framework to deal with traditional financial and non-financial risks. The Basel II/III implementation process is ongoing, and BoG continues to work on new guidance on risk management including a Risk Management Directive issued in November 2021, and a number of other complementary Directives being designed to deal with more specific traditional risks. BoG also continues to monitor banks' compliance with enhanced AML/CFT rules, consumer protection rules, and the Sustainable Banking Principles launched by the Bank of Ghana, the Ghana Association of Banks, and the Environmental Protection Agency in 2019 to help address Environmental, Social, and Governance (ESG) risks. Proportional risk management requirements are also in place for payment service providers like fintechs and DEMIs, including minimum technical, governance, data protection, and transaction monitoring and fraud detection and mitigation tools, Measures, AML/CFT rules, among others. BoG is currently reviewing the Cyber and Information Security Directive it issued in 2018 with a view to assessing where changes may be required to address evolving cyber security trends in the banking and payments ecosystem.

As I said earlier, regulation and supervision are key to promoting good behaviour in the banking sector and payments system however they are not a guarantee. Regulation and supervision are dynamic processes and evolve on a forward-looking basis to anticipate changes and to provide a roadmap for how risks in the outlook will be managed. The Banks and SDIs Act, the Payment Systems and Services Act, as well as the Corporate Governance Directive issued by BoG in 2018 all require strong risk governance by regulated institutions, with effective oversight by their Boards of Directors.

The Corporate Governance Directive requires that the Board of each covered regulated institution sets up a Risk Committee that advises the full Board on the overall risk framework, and the appointment of a Chief Risk Officer who helps to manage overall risks.

BoG will continue to monitor the rapid evolution of risks in the banking and payments space and will recalibrate its rules and supervisory approaches and tools to help mitigate them. It will also continue to hold regulated institutions accountable for managing the risks that their businesses and actions or inactions pose to the entire system.

As a member of Ghana's Financial Stability Council established in 2019, BoG also continues to dialogue with other financial sector regulators on emerging risks that either cut across all sub-sectors of the financial system, or that could spill over from one sub-sector to another due to the high level of interconnectedness of the various sub-sectors.

"Over the last five years, BoG has augmented risk management requirements for banks coinciding with its implementation of the Basel II/III capital framework to deal with traditional financial and non-financial risks."

7. Does the regulator see as problematic the situation where some of the players in the financial ecosystem are regulated by entities outside of BOG? How is BOG addressing matters around regulatory convergence?

PSPs and DEMIs are licensed by BoG to operate exclusively under the Payment System and Services Act of 2019. They are not directly regulated by other Agencies,

although they may have parent companies and affiliates such as telcos that may be regulated by other regulators. Banks and SDIs also operate under the BoG's exclusive regulatory and supervisory ambit, except where they offer Registrar or Custodian services under licenses issued by the Securities and Exchange Commission subject to a "no objection" from BoG.

BoG maintains regulatory cooperation with relevant regulators under MoUs and other cooperation arrangements on matters of mutual interest, to help work towards common goals for the benefit of financial services consumers.

8. ***Do you share in the view of some analysts that the ongoing dynamism in the financial system may potentially result in over-regulation?***

I do not share in that view. BoG's regulatory and supervisory approach is risk-based and proportional. What this means is that our rules are designed and calibrated to address specific risks in a way that helps to meet the objectives of promoting a safe, sound, stable, efficient, and inclusive banking and payments landscape that enjoys the confidence and trust of all stakeholders and helps to build a resilient economy

9. ***Looking into the future of the banking industry, how should banks achieve balance between financial innovation, customer protection, while maintaining ethical***

standards and professionalism?

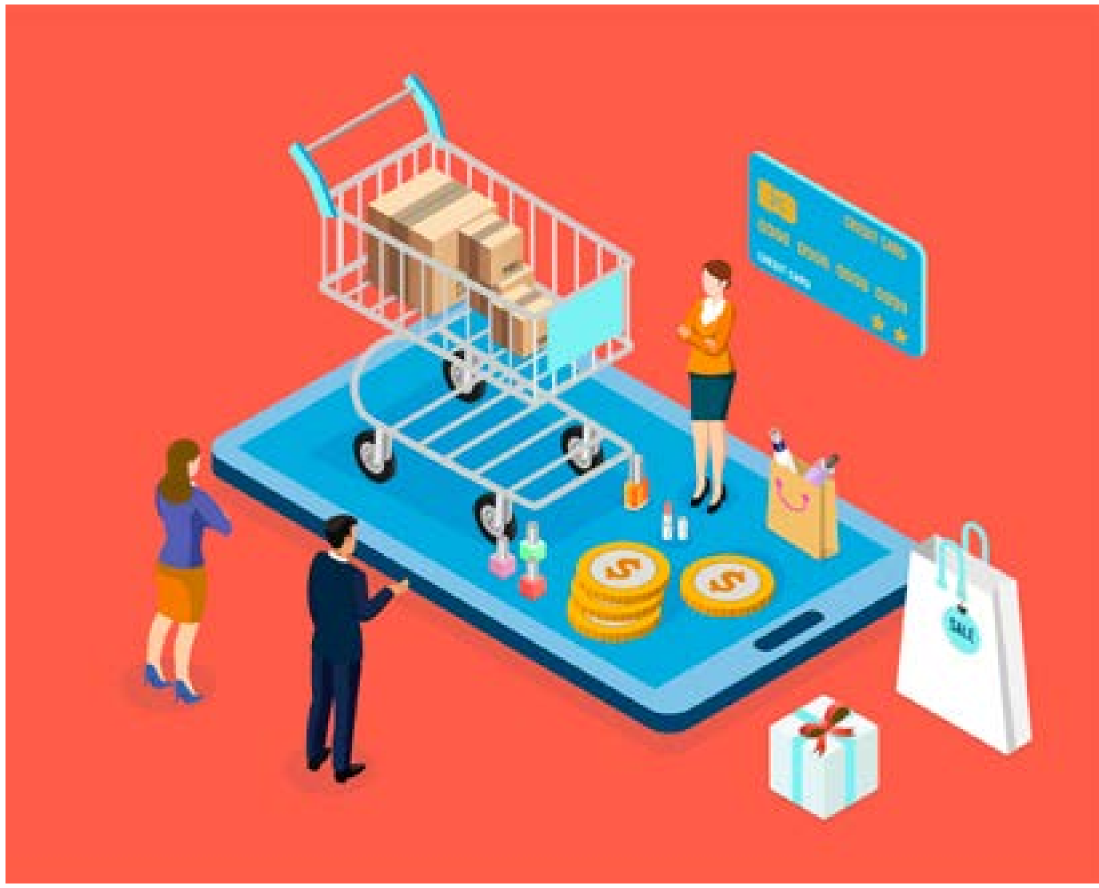
This is a very important question. These objectives are not mutually exclusive at all. A consistent culture of compliance with legal, ethical, and professional standards builds a strong foundation that stands the test of time. Innovation and what may seem like rapid growth in a bank's business, without a strong foundation of compliance is but a fluke which soon fizzles out… literally here today and gone tomorrow.

Short-term compromises do not help in the long run, and we expect bank shareholders to set the right tone by holding Boards of Directors accountable for effective risk governance and strategies that help to promote a strong compliance culture while doing legitimate business.

Following the banking sector clean-up of 2017 through 2019, we have seen a stronger culture of compliance emerge from the industry and we expect to see that become entrenched going forward, to help make the industry even more resilient even in the face of periodic shocks and new risks emerging.

10. Are there any other thoughts or perspectives you would like to share in the areas of Risk, Sustainability, Regulatory responsibility, and Market Conduct?

Ghana's banking sector has come a long way and is positioned for exponential growth leveraging emerging technologies to scale up business models, meet changing customer needs and reach the unbanked and underserved including the vast market for women and youth entrepreneurs.



"New mind sets are required to govern and manage the bank of the future…"

New mind sets are required to govern and manage the bank of the future, and similarly regulatory and supervisory approaches must evolve and adapt to the changing dynamics of the ecosystem. Banks need to invest in technology just as much as they need to invest in strong governance and ethical compliance systems and work to ensure that the industry remains relevant, strong, and inclusive, in order to support the Ghanaian economy's transition into a sustainable and resilient emerging economy.

Thank you! ☐

Industry Insights

Ghanaian Banking sector at a glance

135+ Digital Platforms

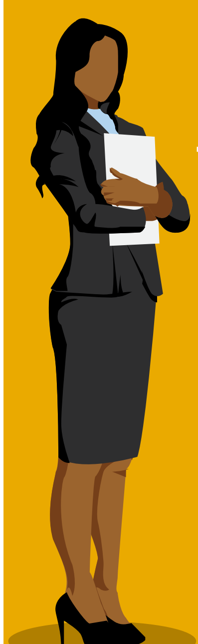
66+ Bancassurance Products

12,643 POS

401 MILLION 2021

Mobile Money Transactions

301 MILLION 2020



¼ BOD Female

5.8 MILLION Electronic cards issued

ATMs

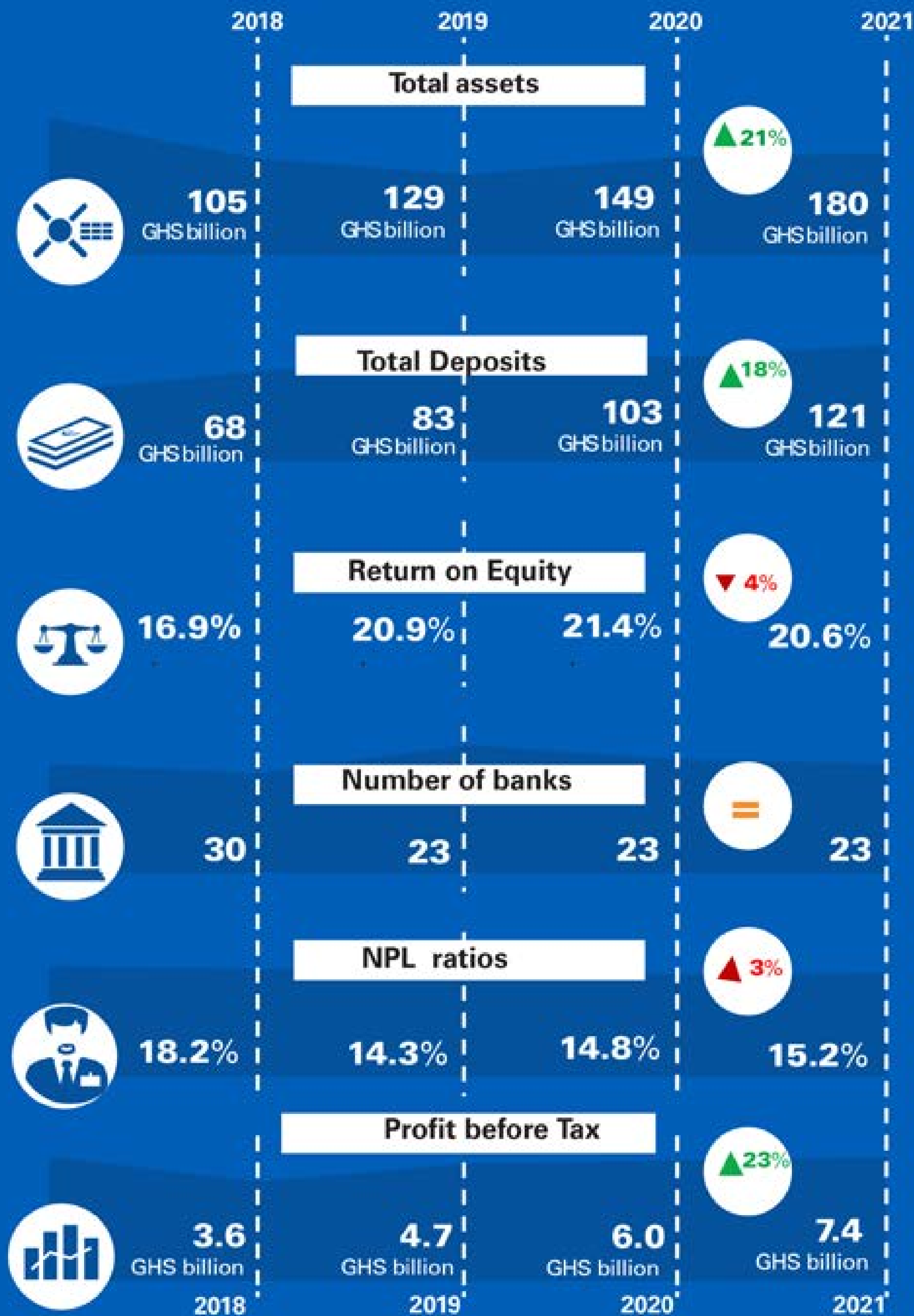
2,278 2021

↑

2,237 2020

Source: BOG, KPMG Insights

Ghana Banking Industry Performance Indicators



Source: BOG, Summary of Economic and Financial Data 2022

Banking Sector Insights and Outlook

1

Financial Soundness Indicators (FSIs) remained strong, with strong indicators of solvency, liquidity and profitability. Total industry deposit has grown from GHS68 billion in 2018 to GHS121billion in 2021, representing circa 78 percent growth. Total banking assets increased by 21 percent year on year to GH180 billion in December 2021, exceeding the 16 percent growth recorded in the same period in 2020 due to strong investment growth..

Total industry deposit

GHS 68 billion 2018

GHS 121 billion 2021

78% growth.

2

The banking industry in Ghana remains profitable. However, the top 3 most dominant banks (Ecobank, GCB, ABSA) control 36 percent of industry PBT in 2021 as compared to 34 percent in 2020. These top 3 dominant banks also control 30.1 percent of industry deposit in 2021.

36% **OF INDUSTRY PBT** IN 2021

30.1% **OF INDUSTRY DEPOSIT** IN 2021

3

The industry efficiency is challenged. The cost income ratio remains high at 55 percent as at 2021, albeit it has been trending downwards since 2017. Return on average equity has also declined marginally to 20.6 percent in 2021 from 21.4 percent in 2020.

4

Banks' asset allocation to treasury bills and securities continue to trend upwards. As at December 2021. Bills, securities and equity now account for 46.2 percent of total assets, up from 43.1 percent in the previous year. With increasing macroeconomic uncertainty and high interest regime, this is expected to continue.

5

The banking sector's outlook remains positive, with banks expected to consolidate their performance in 2022. The main risks in the banking sector is the elevated asset quality concerns amidst macroeconomic uncertainty. Lending to the real economy will be sluggish.

Introduction

The banking sector plays a phenomenal role in mobilising funds for both short and long-term investment which promotes economic growth and development. The sector also serves as the conduit through which monetary policy is transmitted in the economy. Despite the shock and disruption from the COVID-19 pandemic globally, the Ghanaian banking sector remained robust and resilient due to innovative measures taken by banks alongside prudential measures introduced by the Bank of Ghana.

Credit growth picked up in the course of 2021. However, overall credit level and return on equity remained below pre-pandemic levels due to the lingering effects of COVID-19 and rather challenged macroeconomic environment. Notwithstanding the residual impact of the pandemic, the banking sector continues to serve customer across all segments and sectors of the economy.

This industry report presents key highlights on banks' assets, profitability, liquidity, efficiency, asset quality. Though there are currently 23 universal banks in the sector, audited financial reports of two of the banks were not available; hence our industry analysis was conducted based on 21 banks. The 21 banks account for more than 91 percent of the entire banking sector players in balance sheet size. Therefore, all estimations on the 21 banks is representative of the banking sector.

Rankings of 21 Banks compared to their positions in 2020

Overview of 21 Banks		Profit Before Tax			Total Assets			Deposits		
		Rank	+/-	GHS mn	Rank	+/-	GHS mn	Rank	+/-	GHS mn
1	ABSA	▲ 1	+1	1,060	▲ 3	+1	16,308	▲ 4	+1	7,944
2	Ecobank	▼ 2	- 1	886	▼ 2	- 1	17,857	▼ 2	- 1	12,878
3	GCB Bank Plc	▲ 3	+1	810	▲ 1	+1	18,260	▲ 1	+1	13,166
4	Standard Chartered	▼ 4	- 1	694	▲ 7	+1	10,121	▲ 6	+2	7,554
5	Stanbic	▲ 5	+1	618	▼ 4	- 1	14,043	⇄ 3	-	9,937
6	Fidelity	▲ 6	+2	505	▲ 5	+ 1	13,350	▲ 5	+1	7,908
7	Access Bank	▲ 7	+2	501	⇄ 10	-	7,491	⇄ 11	-	4,623
8	GT Bank	▼ 8	- 1	477	▼ 14	- 1	5,035	▼ 14	-1	3,725
9	Zenith	▼ 9	+4	334	▼ 9	- 2	8,864	▼ 8	-1	6,391
10	Cal Bank	⇄ 10	-	326	▲ 8	+ 1	7,903	▲ 9	+1	5,162
11	Societe General	▲ 11	+1	282	⇄ 12	- 3	5,437	▼ 15	-3	3,391
12	UBA	▼ 12	-1	219	▲ 13	+2	5,373	▲ 12	+ 1	4,075
13	First Atlantic Bank	⇄ 13	-	156	▲ 15	+2	4,675	▲ 13	+3	3,773
14	Prudential Bank	▲ 14	+4	136	▼ 16	- 2	4,387	⇄ 17	-	2,852
15	ADB	▼ 15	-1	126	⇄ 11	–	6,454	▼ 10	-1	4,927
16	Republic Bank	⇄ 16	-	126	▼ 17	- 1	4,226	▼ 16	- 1	3,165
17	Bank of Africa	▼ 17	- 2	120	▲ 18	+ 1	3,159	▼ 19	-2	1,432
18	First Bank Nigeria	▲ 18	+1	112	▼ 21	-1	1,912	⇄ 21	-	888
19	CBG	▼ 19	- 2	103	▼ 6	- 1	10,751	▼ 7	-3	6,751
20	First National Bank	⇄ 20	-	(8)	▼ 19	-1	2,482	▼ 20	-1	1,106
21	OmniBSIC	⇄ 21	-	(9)	▲ 20	+1	1,986	▲ 18	+2	1,449

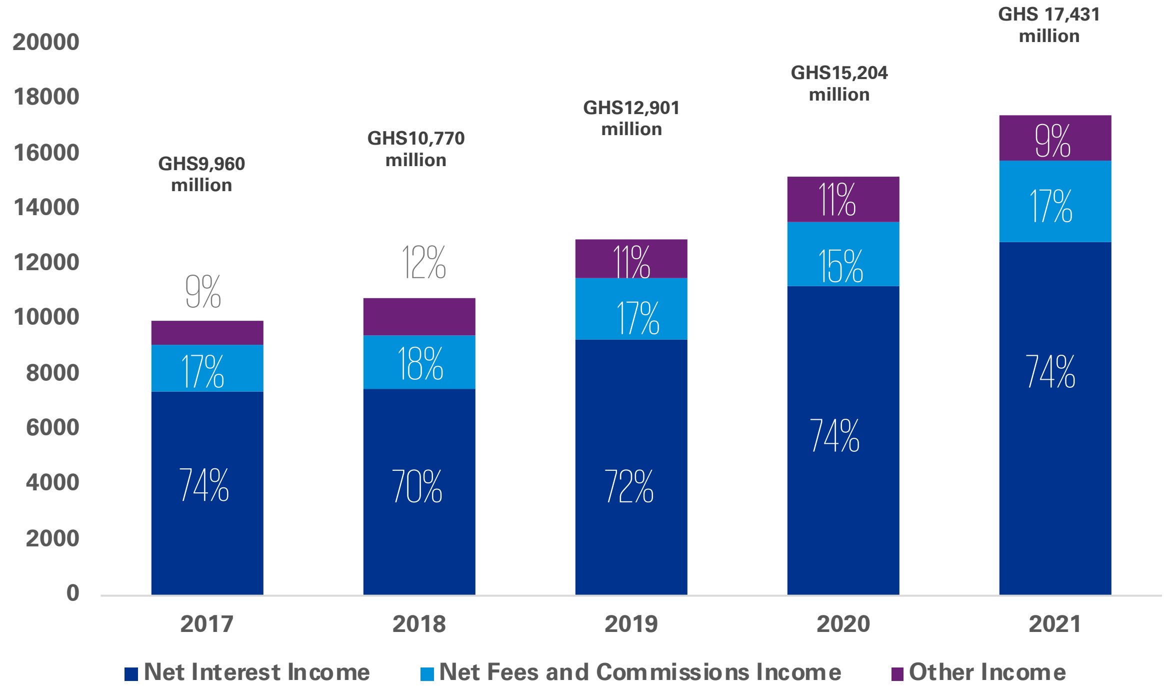
▲ Increase in rank ▼ Decrease in rank No change in rank +/- Change in rank compared to 2020

Source: Banks' Financial Statements, KPMG Insights

Industry Income Trends

Banking Income

For the purpose of this report, banking income consists of net interest income, net fees and commissions income, trading and other income

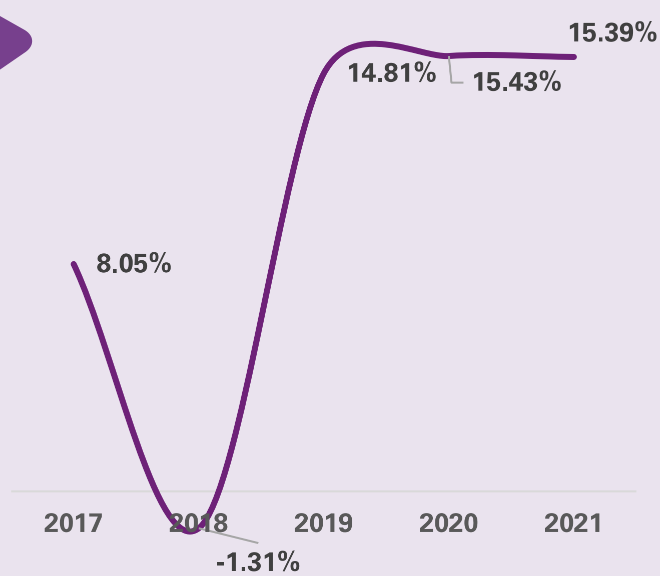


Source: BoG Banking Sector Reports

Largely the net revenue structure of the industry has not changed. In 2021, net interest income accounted for 74 percent of the industry net revenue with net fees and commissions and other income accounting for 17 percent and 9 percent respectively. The contribution of fees and commissions income has increased by 200 basis points between 2020 and 2021; from 15 percent to 17 percent.

The strong growth in contingent liabilities and trade finance activities supported the growth in net fees and commissions, (according to BoG Monetary Policy Report, January 2022). On the average, industry gross revenue continues to grow at about 15.21 percent over the last three years. Therefore, whiles industry gross revenue growth continues in double digits, the growth momentum has plateaued.

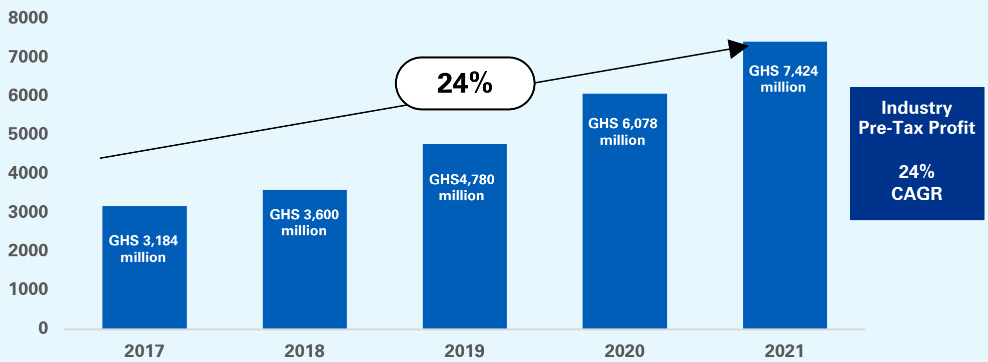
Revenue Growth Rate (%)



Source: BoG Banking Sector Reports, KPMG Insights

Profitability and Cost Trends

Below is the industry's pre tax profit over the last five years



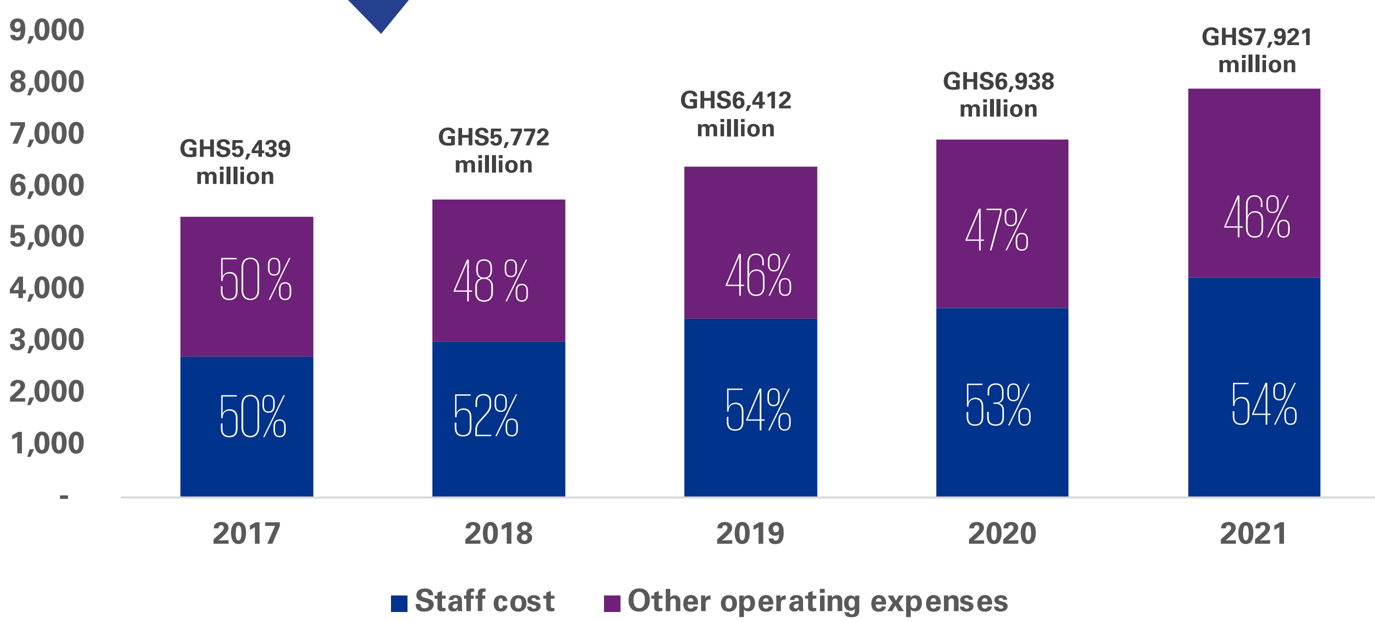
Source: Audited bank financials, KPMG Insights

NB: Computations based on 21 banks

The banking industry in Ghana remained profitable and robust in 2021, despite the dip in the growth rate of profits. Profit before tax recorded a growth rate of 22.1 percent in 2021, relative to the 27.2 percent attained in the previous year. Whiles profit before tax grew by 22.1 percent between 2020 and 2021, profit after tax grew by only 12.28 percent for the same period as compared to PBT growth rate of 27.15 percent and PAT growth rate of 27.88 percent between 2019 and 2020. This decline (about 10 percent between PBT and PAT) is due to the introduction of the COVID 19 Health Recovery Levy and Financial Sector Recovery Levy which have imposed a significant tax burden on the banking sector.

Cost-to-Income Ratio and Expense Trends

Cost income ratio of the industry has reduced by 1000 basis points from 65 percent in 2018 to 55 percent in 2021. Bank's focus on cost optimisation and digitisation appears to be yielding results. The most efficient banks have their cost income ratios around 24 percent. The breakdown of cost are staff expenses and other operating expenses.

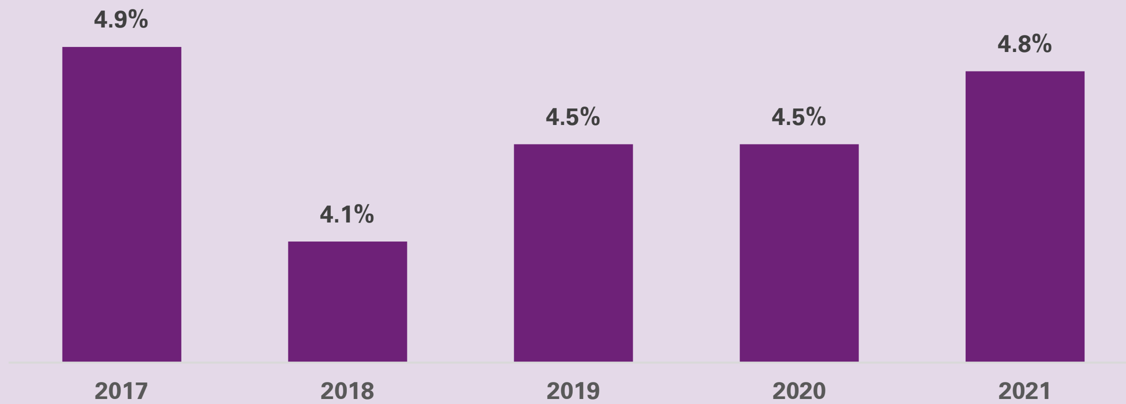


Overall, the industry's total expenses have grown by 10 percent over the last 5 years. Growth in operating expenses was higher at 14.2 percent in 2021 relative to the 8.2 percent growth a year earlier, driven by both higher growth in staff costs and other operating expenses. Staff cost increased by 16 percent year on year in 2021 compared to 6 percent in 2020 possibly due to the impact of the pandemic.

Asset Utilisation and Efficiency Trends

Return on Assets

Industry Return on Assets (ROA) improved to 4.8 percent in 2021 from 4.5 percent in 2020. The bank with the highest return on assets in the banking sector of Ghana recorded 10.5 percent of return on assets in 2021.

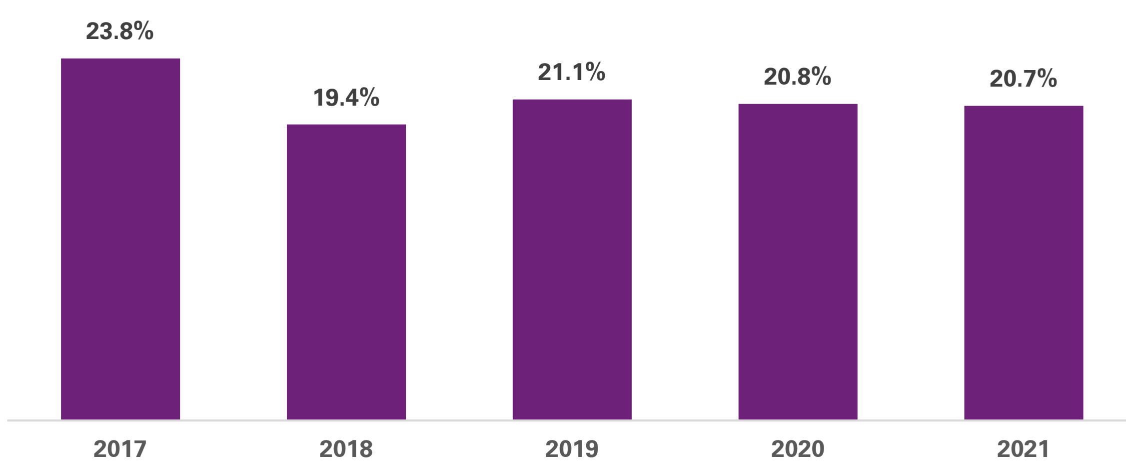


Source: Audited bank financials, KPMG Insights

NB: Computations based on 21 banks

Return on Equity

For the overall industry, based on BoG data, industry return on equity decreased from 21.4 percent to 20.6 percent between 2020 and 2021. However, using the financial reports of the 21 banks analysed, the Return on Equity (ROE) for the banking industry decreased marginally from 20.8 percent in 2020 to 20.7 percent in 2021. It is worth noting that the bank with the highest ROE in Ghana achieved return of equity of 32.62 percent



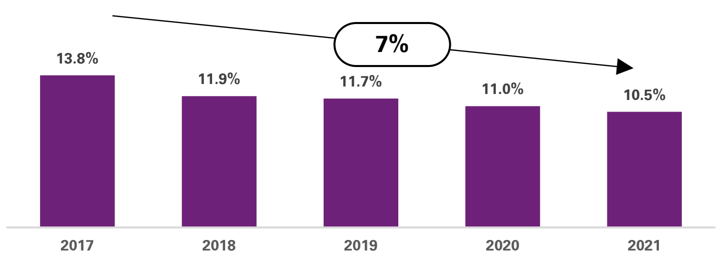
Source: Audited bank financials, KPMG Insights

NB: Computations based on 21 banks

Interest Margins and Interest Bearing Liabilities

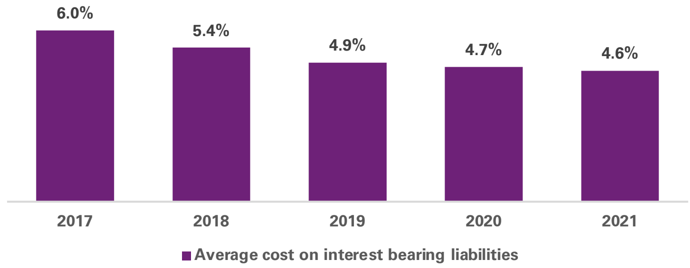
Net Interest Margin

Net interest margin declined marginally from 11.0 percent at the end of 2020 to 10.5 percent at the end of 2021. This decrease can be attributed to the reduction in interest rates over 2021 which led to banks decreasing their interest margin. On the average, industry net interest margin has decreased by about 7 percent over the last 5 years.



Average Cost on Interest bearing liabilities (%)

The average cost on interest bearing liabilities of the banking industry in Ghana reduced from 4.7 percent in 2020 to 4.6 percent in 2021. Averagely, industry cost on interest bearing liabilities has decreased by about 7% over the last 5 years. The most efficient bank has its average cost on interest bearing liabilities around 1.7 percent



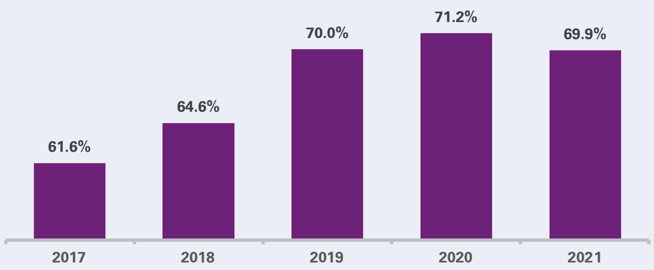
Source: Audited bank financials, KPMG Insights

NB: Computations based on 21 banks

Earning Assets and Gross Yields

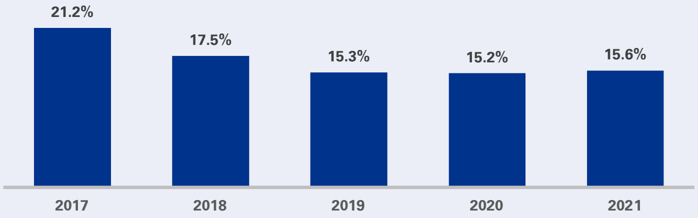
Earning Asset Ratio

The industry earning asset ratio showed continuous positive growth between 2017 and 2020. This can be seen from the increase from 61.6 percent in 2017 to 71.2 percent in 2020. However, in 2021, there has been a 1.76 percent decrease from 71.2 percent in 2020 to 69.9 percent.



Gross Yield on Average Earning Assets(%)

Industry gross yield on average earning assets increased from 15.2 percent in 2020 to 15.6 percent 2021. It is observed that the gross yield on earning assets remained constant in 2019 and 2020 and inched upwards to 15.6 percent in 2021.



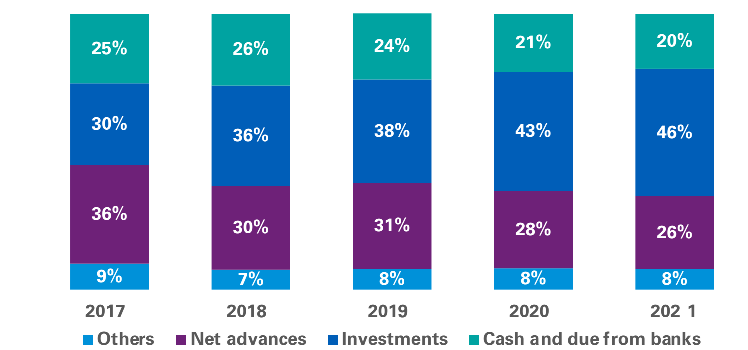
Source: Audited bank financials, KPMG Insights

NB: Computations based on 21 banks

Industry Asset Structure and Asset Quality

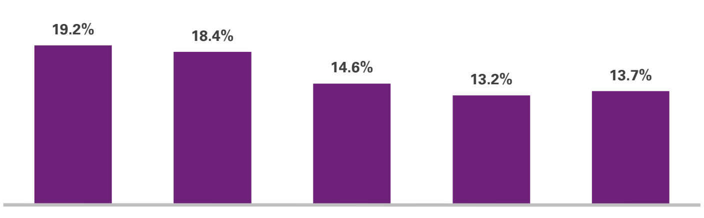
Industry Asset Structure

The asset structure of the banking industry's balance sheet remained broadly unchanged for the period 2017 to 2021, with bank's preference for investment securities notable. The proportion of Investments assets increased from 38 percent in 2019 to 46 percent in 2021, whiles net advances declined from 31 percent to 26 percent in 2021.



Non-Performing Loans

The non-performing loans (NPL) ratios for the industry , according BOG report, was 15.2 percent in 2021. However, using the 21 banks for which audited financial reports were available, the NPL was 13.7 percent in 2021. Industry NPL growth rate has declined over the past five years, although some banks had NPL higher than 20% in 2021. It is expected that NPLs ratio for the industry will remain rather elevated due to the challenging operating environments of banks and businesses.



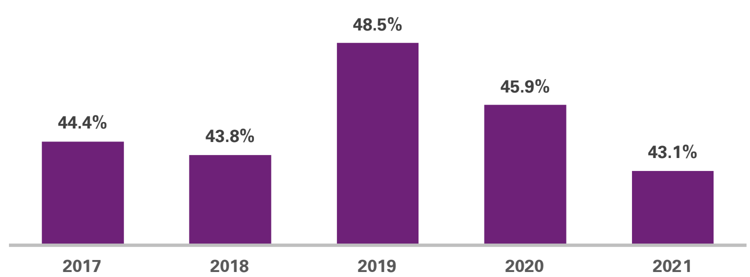
Source: Audited bank financials, KPMG Insights

NB: Computations based on 21 banks

Loans to Deposits and Liquidity

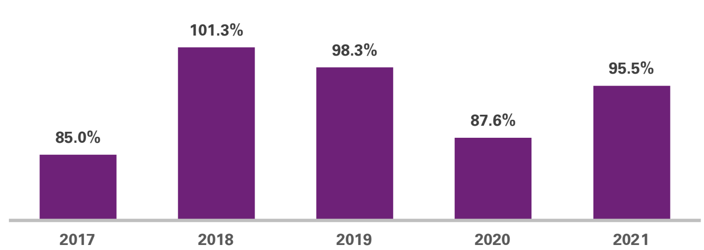
Loan to Deposit

The loan to deposit ratio in the banking sector has witnessed some volatilities. This can be seen in a sharp rise from 43.8 percent in 2018 to 48.5 percent in 2019, and the dip downwards to 45.9 percent and 43.1 percent in 2020 and 2021 respectively. The strong growth in credit for 2019 can be broadly attributed to expectations following the recapitalisation exercise and other regulatory reforms.



Liquid Funds to Total Deposits

The industry's liquidity position remains strong as shown in liquid funds to total deposits ratio from 87.6 percent in 2020 to 95.5 percent in 2021. The increase in the broad measure partly reflects the increased asset allocation by banks to investments securities in 2021.



Source: Audited bank financials, KPMG Insights

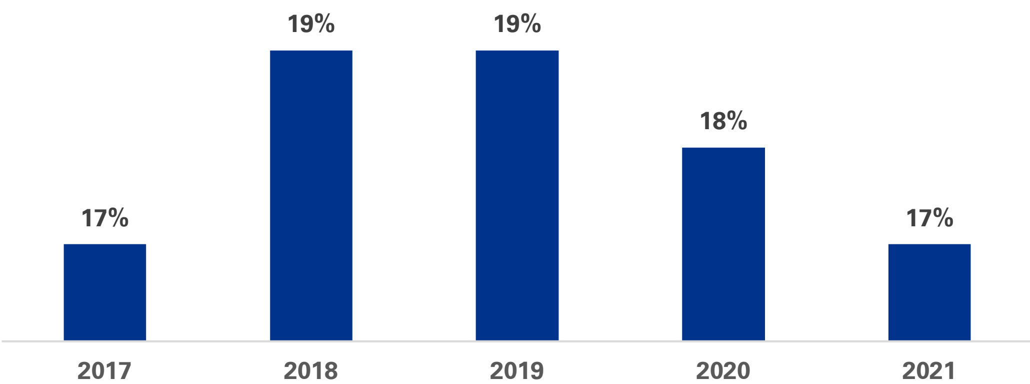
NB: Computations based on 21 banks

Networth and Solvency

Networth / Total Assets

Industry Networth to Total Assets decreased from 18 percent in 2020 to 17 percent in 2021. The new minimum capital requirement of GHS400m ensured that banks shored up the shareholder funds. This contributed significantly to the increase in industry Networth / Total Assets 2018/2019.

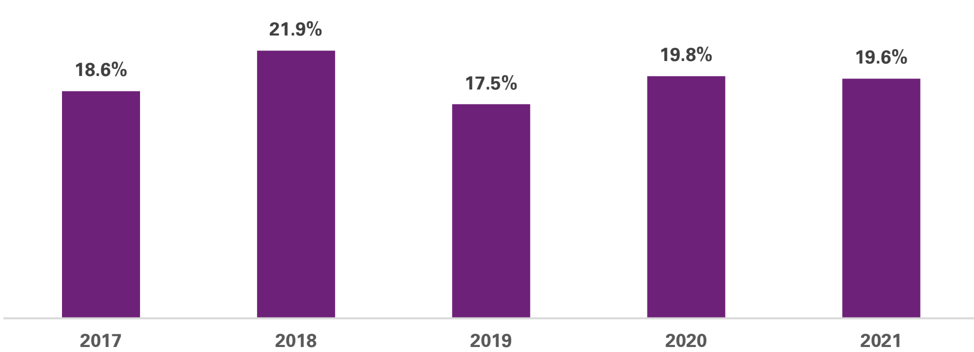
Industry Networth to Total Assets



Source: Audited bank financials, KPMG Insights
NB: Computations based on 21 banks

Capital Adequacy

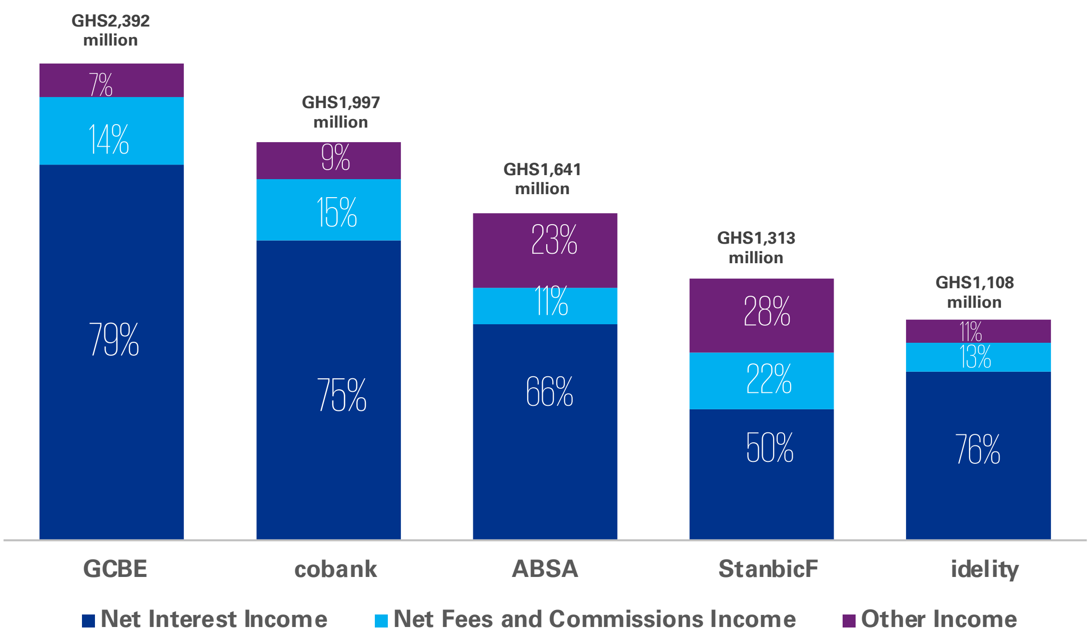
The industry's solvency position remained strong, with a CAR of 19.6 percent as at year-end 2021, well above the current revised regulatory minimum of 13 percent. Higher CAR enhances the ability of banks to deepen intermediation and shows that banks have adequate buffers to absorb any potential credit risks from increased lending during the current uncertain operating environment



Source: BoG Banking Sector Reports, KPMG Insights

Top 5 Dominant Banks by Income

Top 5 Banks in terms of Banking Income (2021)



Source: Banks' 2021 Financial statements

Of the total industry revenue, the most dominant banks (the top 5 dominant banks) control about 50 percent of industry revenue in 2021 led by GCB Bank Except for Stanbic Bank, interest income accounts for over 65% of the income composition of the top 5 banks. The growth in interest incomes for each of the dominant banks is shown below.

Leading Banks in terms of net interest income for 2021

	Total	Change 2020 to 2021
GCB	GHS 1,885 million	▲ 26%
Ecobank	GHS 1,504 million	▲ 13%
ABSA	GHS 1,084 million	▲ 12%
Fidelity	GHS 845 million	▲ 5%
Stanbic	GHS 656 million	▲ 6%

Source: Audited bank financials, KPMG Insights

NB: Computations based on 21 banks

Taxation in the Banking Industry

Analysis of taxes charged and paid by banks

Banks play important socio-economic role in the economy of Ghana, including contribution to tax revenue. In addition to the corporate tax rate of 25% of profit, banks also pay 5% of profits as National Fiscal Stabilisation Levy (NFSL) and another 5% of profits for Financial Sector Recovery Levy (FSRL). This brings the effective tax rate to an average of 35% of profits of banks.

In 2021, Banks charged a total corporate income tax (CIT) of GHS 2 billion, NFSL of GHS 330 million and FSRL of GHS 258 million, bringing it to a total of GHS 2.6 billion in taxes compared to GHS 1.8 billion in 2020.

Absa Bank Limited charged the highest amount across all three taxes, a colossal amount of GHS 368 million, as the Bank recorded the highest profit before tax (PBT) in the industry, PBT of over GHS 1 billion.

Ecobank Ghana PLC came close with GHS 307 million worth of taxes, followed by Stanchart and GCB Bank PLC with GHS 258 million and GHS 253 million respectively. Stanbic Bank also charged a total of GHS 213 million to its income statement. The least tax amount charged by a bank, aside the banks which recorded losses for 2021, was GHS 30 million.

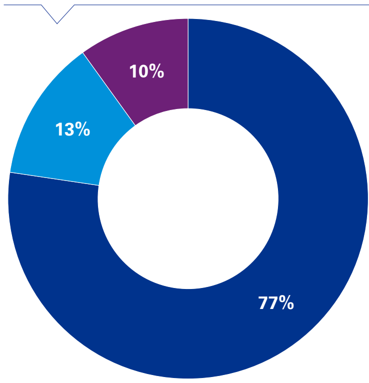
Banks charged an average total tax of GHS 150k for every GHS 1 million worth of revenue made (2020: GHS 120k).

GHS
2 billion
Corporate Income Tax (CIT)

GHS
330 million
National Fiscal Stabilisation Levy (NFSL)

GHS
258 million
Financial Sector Recovery Levy (FSRL)

Percentage representation of CIT, NFSL, and FSRL



CIT formed 77% of total taxes charged by banks. The newly introduced levy, the FSRL, contributed a decent 10% of total bank taxes. Of this amount, over GHS 240 million had been remitted by the banks to the Government as at year end 31 December 2021.

The table below shows the minimum, maximum, and average CIT, NFSL, and FSRL charged by banks in 2021.

	CIT	NFSL	FSRL	TOTAL TAXES
Min	21,412	5,133	3,850	30,395
Max	275,162	53,024	39,767	367,953
Average	100,474	22,014	17,225	123,717

* Data for specific amounts for CIT, NFSL, and FSRL were not obtained for 4 banks. Their total taxes were thus bulked under CIT. This analysis covers 20 banks only.

Source: Audited bank financials, KPMG Insights

NB: Computations based on 21 banks

Corporate Social Responsibility

Performance of Banks in the CSR Space

Banks have over the years been consistent in giving back to society in various ways. The thematic area of bank's CSR in 2020 was COVID-19, as expected. In 2020, banks spent a total of over GHS 39 million delivering on corporate social responsibility mandate. As expected, a significant portion of this amount was spent on donations to the COVID-19 Trust Fund, COVID-19 PPE and other COVID-19 related expenditure.

In 2021, banks spent almost GHS 22 million on CSR activities in sectors, ranging from health and education to arts and culture and gender (2020: 39 million). Sports, security, financial inclusion and community and environment related sponsorships were also among the common CSR activities.

Overall, education was the sector that received the most attention from banks. In 2021, 4 out of every 5 banks had at least one form of CSR activity and support towards education. These activities involved refurbishment of computer labs and ICT centers, disability inclusive hackathon programmes aimed at promoting the digital needs of Persons living With Disability (PWDs), donations to educational institutions, among others. Educational CSR activities were closely followed by activities in the health sector, community and environment related activities.

The maximum amount given in CSR by a bank in 2021 was GHS 4 million (2020: GHS 8 million) whilst the the minimum amount was GHS 71k (2020: 546k). For every GHS 1 million of bank's revenue, an average of GHS 1,300 (2020: GHS 2,700) was spent on corporate social responsibility activities.

Top 3 areas of CSR

a. Education
b. Health
c. Community and Environment

Amounts in GHS'000s	2020	2021
Total amount invested in CSR	39,361.00	21,866.00
Minimum amount invested by a bank in CSR	546.00	71.00
Maximum amount invested by a bank in CSR	8,040.00	4,057.00
Average amount invested by a bank in CSR	2,186.72	1,286.24
CSR per GHS 1million of Total Revenue	2,706.66	1,299.96

Source: Audited bank financials, KPMG Insights

NB: Computations based on 21 banks

Ethics and Business Conduct in the Banking Industry

KPMG, as part of our efforts to enhance the systems of governance and controls in organisations, has over the past few years been leading conversations on ethics, integrity, and whistleblowing as a tool for good governance, transparency, and accountability.

In the wake of the Ghana banking sector clean-up, key industry players have made significant strides towards improving governance and accountability in the financial services sector. According to Section 3(d) of the Chartered Institute of Bankers ("CIB" or "the Institute") Act, 2019 (Act 991), the Institute, in order to regulate the practice of the banking profession in the country shall "set standards and ensure the observance of ethical standards and professional conduct among members of the banking profession in the country". In view of this, the CIB in 2021 issued the Ghana Banking Code of Ethics and Business Conduct ("the Code"). The principal objective of the Code is to ensure that members of the Institute are resolute in adhering to best banking practices, and also to support the agenda of maintaining high ethical and professional standards within the banking industry in Ghana.

The Code provides, among others, procedures for dealing with complaints of unethical and unprofessional practices and the sanctions for infractions of its provisions. Members, whose activities contravene any provision of the Code shall be sanctioned by the governing body of the CIB in accordance with Sections 22 (c) and 24 (1) (a) of Act 991.

KPMG, in collaboration with the Institute, conducted a survey on Ethics and Business Conduct in the Banking Industry in the first quarter of 2022 to assess and evaluate the commitment of banks and bankers to adhere to the Code. The survey was targeted at 23 universal banks in Ghana, with 1,128 responses from respondents across the various banks and an overall bank participation of approximately 60%. In line with KPMG's focus on the topical areas of ethics, integrity, and whistleblowing, we were particularly interested in determining how committed banks were, to ensuring the reporting of irregularities in the workplace, which is emphasised by Section 12 of the Code.

The survey's key findings included generally poor representation of membership of banking staff within the Institute, respondents not having observed irregularities and misconduct at their banks, reasons why respondents were not reporting issues observed if any, and actions taken after investigation of reported issues were completed.

Profile of Respondents

Most respondents were from the non-management staff group of the various banks, with management and executives in the minority. Management staff represented 18% while executives represented just 1% of total respondents. As expected, given the size of most banks in Ghana, a significant majority of respondents were employed in banks having a staff strength above 200.

Membership of The Institute of Bankers

The survey revealed that most respondents (79%) were not members of the Institute, an unexpected finding given that the conditions for membership per the CIB Ghana Act, 2019 (Act 991) are not particularly onerous.[2] It was also interesting to note that none of the executive-level respondents were members of the Institute. These findings raise concerns about the Code's applicability to a majority of bank staff, particularly for executives, who are in a position to drive corporate actions that would promote adherence to the Code.1 For example, poor representation of executive level staff may be a signal of poor buy-in from banks, with respect to an active support for actions that address the provisions of the Code. This impacts the tone at the top and reflects in the activities of junior staff.

Observing and reporting irregularities

The findings of the survey indicated that some bank staff may not be well informed of the nature or type of issues considered irregular or reportable. 82% of respondents reported never having observed any irregularities or misconduct at their workplace. Neither were they aware of such matters. According to the Association of Certified Fraud Examiners (ACFE) 2022 Report to the Nations, 55% of fraud cases identified through tip-offs were reported by employees of victim organisations. It was therefore interesting to note that most respondents (employees of banks) had never observed any irregularity, not to talk of reporting them. This finding highlighted the need for the Institute to further clarify the nature of reportable issues and require corporate members to create more awareness of these issues.[1]

On why irregularities observed were not reported, 23% of respondents indicated a lack of trust in the reporting mechanism as the primary reason. This was closely followed by 21% indicating a lack of confidentiality and anonymity and for 21% of employees, the perception that no action will be taken on issues reported. These three factors which generally reflect concerns about the management of whistle-blowing mechanisms together represented 65% of respondents' concerns as to why they failed to report issues. These findings suggest that the Institute may need to provide guidance on how whistle-blowing mechanisms are managed as this may be a critical factor in determining whether issues are reported or not.

Sustainable Banking Principles

The Code applies to all members of the Institute. Yet one highlight of the survey results, as noted earlier, was that most respondents are not registered members of the Institute. This raises concerns about the Institute's ability to achieve the desired objectives of the Code within a larger proportion of the industry given that these key industry participants are not members of the institute and therefore not bound by the Code.

The survey, however, gave indication that the objectives of the Code may well be achieved through other avenues such as banks' commitment to sustainable banking practices.[1]

With the global focus on sustainability on the rise, banks are increasingly being held to account by various stakeholders on issues concerning governance and ethics. Guidance notes on the Sustainable Banking Principles issued by the Bank of Ghana in 2015 encourage banks to develop procedures that staff may follow to guard against "unethical behaviour or business activities". The guidance made particular mention of "a process or mechanism (such as a whistle-blowing hotline) for raising concerns anonymously".

Principle 3 of the Sustainable Banking Principles has similarities with the Institute's requirements for staff to report irregularities observed, thus promoting the Code's objective of ethical behaviour and good business conduct in the banking industry. 71% of respondents indicated that they were aware of the requirements of Principle 3 of the Sustainable Banking Principles. This finding may signal concerted efforts by banks to ensure staff are well informed of the increasing focus towards a more sustainable banking industry, and more specifically, towards ethical and professional business practices.

Conclusion

In summary, the key insights we gained from the survey include the need for the Institute to encourage a higher representation of membership at the executive level to better promote the Code's agenda of maintaining high ethical and professional standards. Also, although the Code requires members to report irregularities, it is important that the Institute clarifies the nature of observable issues. It is also essential that the Institute requires corporate members to create more awareness of the nature of reportable irregularities. For an extensive discussion of the findings of the survey, please see the full survey report.[1]

1. The full survey report may be accessed via https://home.kpmg/gh/en/home.html
2. See Chartered Institute of Bankers Ghana, Act 2019 – Act 991, Section 14 and 15

Featured Articles

Disclosure: An Ethical Responsibility

Transparency: A Conveyor Belt of Trust

The findings from the Central Bank of Ghana's investigations into the cause of the banking sector crisis in Ghana between 2017 and 2019, were disappointing to many members of the general public and stakeholders in the financial sector. This gave rise to several questions: was the public aware of the insolvent positions of these banks?

Why was the public not informed? Were employees aware the banks they worked for were underperforming and could have their licenses revoked at any moment? Were the requisite disclosures made to the relevant stakeholders? Numerous Ghanaians are unaware of the answers to these thought - provoking questions. It will take some time for many to regain complete trust and confidence in the banking sector.

Trust is a crucial factor in every form of relationship, regardless of its nature. According to Stephen Covey, "Trust is the glue of life. It is the most essential ingredient in effective communication. It is the foundational principle that holds all relationships"1. Would the circumstances surrounding Ghana's banking crisis have been different had the banks been more transparent in their activities? Banks should view being transparent with employees, shareholders, regulators, customers, and the public as an action which earns them their trust2. Trust will not emanate from mere words of promise, slogans, and marketing campaigns. Instead, trust is built when there is openness in how assets are managed, employees are recruited and directors are remunerated, among others. Transparency must therefore not be viewed as an add-on to a relationship, but as a fundamental ethical obligation owed to a company's stakeholders.

The Advent of Corporate Governance Disclosures

In 1933, Louis Brandeis, a Supreme Court Justice of the United States (US) said, "Sunlight is said to be the best of disinfectants; electric light the most efficient policeman". This statement was made by the Justice ahead of the passing of the Securities Act of 1933, when financial transparency was the remedy of choice for the fraud and market manipulation that shook the financial markets of the US and contributed to the global crisis of the 1920s[1]. His statement mirrors everything disclosure and transparency stand for. Where there is light (disclosure), there is a sense of purpose, focus and direction. The presence of light reduces the tendency for people to perpetrate bad deeds.
The overall benefit of practising good corporate governance extends beyond the organisations, to the wider business community. At its best, it helps build trust in the business community as a whole, thereby impacting a wider population, as against the immediate stakeholders[2].

A critical element of good corporate governance is the disclosure of information. Its essence cuts across all the four principles of corporate governance outlined in the

"governance should be transparent to shareholders, depositors, other relevant stakeholders and shall be disclosed in its annual reports."

Millstein Report (1998): fairness, transparency, accountability, and responsibility.

The depth of disclosures made by companies, in this case banks, is an important benchmark for measuring the quality of corporate governance[3]. It reflects the bank's degree of transparency and awareness of their duty of accountability to all relevant stakeholders. As such, adherence to the various disclosure regulations and best practices is a hallmark of a responsible bank.

The need for adequate corporate disclosure has been top of the agenda for years across the world. This is because of the numerous episodes of fraud, insider trading activities and market manipulation by directors and executives of companies all over the world.

Disclosure requirements have been necessitated by local legislation and customs, industry specific regulations and global best practices set out by recognised international and professional organisations like Organisation for Economic Co-operation and Development (OECD), United Nations Conference on Trade and Development (UNCTAD), International Finance Corporation (IFC), Institute of Directors (IODs), International Organisation for Standardisation (ISO) etc[4]. These disclosures require either mandatory or voluntary compliance. Laws on mandatory corporate disclosures are governed in most countries by statute and other legislative instruments5. They commonly include but are not restricted to information on the company's financial situation and performance as well as some nonfinancial information.
In Ghana, corporate governance disclosures have been an issue of compliance to the companies code and industry specific regulations. Sections 126,128,132,133,135,136, and 137 of the Company's Act 2019 (Act 992) spell out some of the key disclosure requirements for all companies incorporated in Ghana. The Securities and Exchange Commission of Ghana also requires companies listed on the Ghana Stock Exchange, through sections 23 and 24 of The Corporate Governance Code for Listed Companies 2020, to make some disclosures. For banks, section 74 of Bank of Ghana's Corporate Governance Directive 2016 provides that "governance should be transparent to shareholders, depositors, other relevant stakeholders and shall be disclosed in its annual reports".

The directive further requires that "disclosure shall include, but not be limited to, material information on the organisational and governance structures and policies, (particularly the content of any corporate governance code or policy and the process by which it is implemented), major share ownership and voting rights and related parties' transactions of the Regulated Financial Institution."

Even though the Central Bank of Ghana sought to enhance governance practices in the industry through a robust disclosure regime with the 2016 directive, an analysis of these disclosure requirements reveals the limited scope of corporate governance disclosures covered. In view of this, the Central Bank has taken steps to expand the scope of corporate governance disclosure through the issuance of a new dedicated directive. A critical question is whether the introduction of the new directive for Corporate Governance Disclosures will lead to improved corporate governance and sustainable value creation in the banking industry. It is worth noting that in the aftermath of the Enron and WorldCom scandals, similar regulatory changes were introduced (e.g. the Sarbanes Oxley Act referred to as SOX), yet the governance challenges persisted. The influx of disclosure regulations and their mostly prescriptive nature triggers the risk of companies including banks approaching corporate governance disclosure as an exercise in regulatory compliance.

Lessons from South Africa (Transition from KING III to KING IV)

The transition from King III's disclosure regime of "apply or explain" to "apply and explain" is deemed one of the most significant developments in the King IV Report on Corporate Governance for South Africa6. King IV's "apply and explain" regime transitions from a compliance-based approach in which companies make disclosures merely for compliance, without any indication of the impacts of the actions disclosed on the achievement of organisational objectives.

King IV provides a framework of a limited number of principles (16 plus one extra for institutional investors) with recommended practices linked to the achievement of each principle. It encourages organisations to move beyond compliance to developing actions that are appropriate to the organisation's context and can move them closer to achieving the goals outlined in its 17 principles [6].

The King IV's insistence on explanation by governing bodies on the rationale behind the actions taken effectively forces them to ensure they have not just ticked boxes but applied their minds to the challenge of achieving the goals set by the principles in the standard. King IV makes it quite difficult to hide behind vacuous compliance of simply taking the recommended actions. Companies must explain what their thinking was and, even better, how their actions moved the organisation forward in its journey toward achieving each goal.

By this, King IV is helping organisations realise the benefits of corporate governance through the provision of the needed context regarding the information disclosed, to support efficient stakeholder decision making. This is an example worth emulating in the Ghanaian context.

Non-disclosure breaks trust
Financial reporting standards and other regulations require organisations to disclose information on their financial position and performance in their financial statements to assist users in making assessments about the organisation's performance and prospects[7]. In addition to disclosing financial information as required by the International Financial Reporting

Standards (IFRS), it has become imperative in recent times for organisations to disclose non-financial information as well. This is informed by investors' increasing interests in issues such as Sustainability, Corporate Social Responsibility, Ethics, Anti-Money Laundering (AML), Data and Privacy.

Stakeholders today demand increased transparency because they believe it makes organisations more accountable for their actions and provides insights into their activities. Corporate disclosures give stakeholders an opportunity to obtain full information for their respective decision-making needs. In a non-disclosure or poor disclosure regime where stakeholders are not able to

access information about organisations, trust is broken. This may have devastating effects on the organisation in diverse ways. For example, in the case of Carillion Plc, the organisation employed the use of reverse factoring, which was meant to conceal the huge amount of debt in their books. When investors found out, the share price reduced by about 19% within a short period[8].
Integrity and honesty are key drivers of trust and should be explicitly demonstrated by banks. To materially improve the trust dynamic, they must convince the public that they act fairly and that they care about all stakeholders, including those in vulnerable positions.

Challenges of Disclosure

While the pressure for increased corporate disclosures is mounting, directors and leaders of financial institutions contemplate the extent to which transparency can be achieved as well as the need to be fully transparent. While some may be of the view that stakeholders deserve to know how their interests are considered by banks, others may contest the notion of absolute transparency. Must every occurrence in the bank at each level be disclosed to the public in the name of gaining trust? Must director engagements such as other directorships, litigations and external professional commitments be disclosed? These are all genuine questions for which banks and their directors seek answers to justify why transparency is key on the agenda. Transparency protests are genuine concerns, but they do not erase the lack of trust in the banking sector, especially knowing its history.

It can be argued that more disclosure does not necessarily make the agents (managers and directors of organisations) better.[9] Trueness is one of the fundamental principles of information disclosure. However, organisations may produce information that communicates reality but do so in a way to hide it within unnecessary information. Information disclosed to users may be immaterial or repetitive over the years because users may not readily understand the information provided. The justification for this is that the disclosure requirements do not define materiality. Thus, to avoid legal sanctions organisations just err on the cautious side of the law.

Furthermore, disclosure of information may not always be beneficial. In trying to make organisations more transparent, undesirable, and unintended consequences may be suffered. Examples of such consequences are the disclosure of information which could be used by a competitor to gain an advantage, as well as information about directors which may be deemed personal. Such disclosures have the tendency to breach data and privacy laws which can result in costly litigations.

Another challenge of disclosure borders on users' inability to use the information in the right way. For example, investors are known to quickly sell off their shares when they perceive some undesirable news about their investee companies. If there are a few sophisticated investors who understand the information provided by the company, the unsophisticated ones may just follow their lead. However, the errors investors may make in their evaluation of the information disclosed by organisations cannot be said to be more consequential than the sort of damage caused by non-disclosure. The examples from the Enron scandal and Carillion Plc make it clear that the cost of non-disclosure is far more damaging to investors. As such, the view that investors may be irrational is not a solid basis for organisations to refuse to disclose adequate information.

> "Disclosure is an effective tool for improving investor protection. Minority investors and the public are vulnerable in a poor disclosure environment."

Why Disclose and its Importance to sustainable economic growth? Every business has an ethical responsibility to not only comply with regulations but also act in the interest of all relevant stakeholders. One of such ways is to provide the stakeholders with quality disclosure of relevant information for decision making.

Disclosure is an effective tool for improving investor protection. Minority investors and the public are vulnerable in a poor disclosure environment. Trust becomes a luxury in such disclosure regimes in an industry like banking which thrives on trust. Valuable information reduces the perception of risk in the markets which has a consequential effect of reducing the cost of capital.

It also encourages better management of enterprises through the conscious efforts made to meet the disclosure expectations of diverse stakeholders. Well-run companies are sustainable and contribute immensely to greater economic growth and wealth creation. This is important since it is not only the investors who benefit. Society gains and the banking industry earns the trust of the public.

Disclosure of valuable information allows for more informed and rigorous economic decision making. It therefore behoves organisations including banks to consider the provision of valuable information through mandatory and voluntary disclosures as a critical ethical responsibility

Getting Ready for Compliance
In the wake of an imminent issuance of a regulation to guide disclosure of corporate governance activities by banks in Ghana, it is imperative for banks to assess their readiness to meet compliance requirements and timelines.

First, the banks must keep evidence and data that is needed to support the disclosures made. Often, this is not kept. Information disclosed should be readily and easily verifiable by users of the report. This is a critical factor to boost the trust stakeholders' repose in the banks.

The banks must understand the availability of data for compliance purposes and where a methodology needs to be developed in the absence of available data. To ensure consistency in what is disclosed and how it is disclosed, the banks must ensure they have relevant data available to support the reporting. Completeness of information is a critical pillar in the disclosure of information to all stakeholders. In the absence of this, a defined methodology for collecting and analysing corporate governance information will be useful.

There is the need for the banks to evaluate whether transparency exists in the way definitions of corporate governance terms and significant assumptions for disclosure are presented. The banks should review the definitions not only for objectivity but also for consistency with the regulation.

Lastly, the banks must consider assurance. Assurance is an independent, evidence-based review of the rigour and transparency of reporting. Banks, upon completion of their disclosure reports, should engage independent consultants to provide an assurance on the information disclosed. This can potentially eliminate the perception of inaccurate and disguised information from the minds of most stakeholders[10]. ◻

References

1. https://www.oecd.org/corporate/ca/corporategovernanceprinciples/1920852.pdf
2. https://www.ft.com/content/60254af5-deaa-40bd-86c8-6655967fb7f3
3. Aksu, M. and Kosedag, A. (2006), "Transparency and disclosure scores and their determinants in the Istanbul Stock Exchange", The Authors Journal Compilation, Vol. 14 No. 4, pp. 277-96.
4. https://unctad.org/system/files/official-document/iteteb20063_en.pdf
5. Bopkin, G.A, and Isshaq, Z. (2009) "Corporate governance, disclosure and foreign share ownership on the Ghana Stock Exchange," Managerial Auditing Journal 24(August):688-703 DOI:10.1108/02686900910975387
6. https://www.iodsa.co.za/news/438882/Why-King-IVs-apply-and-explain-is-so-important.htm
7. Young , Joni J. (2006), "Making up Users", Accounting, Organisations and Society 31, 579-600
8. https://www.london.edu/think/two-lessons-from-the-failure-of-carillion
9. Prat, Andrea (2005). "The Wrong Kind of Transparency." American Economic Review, 95, (3), 862-877
10. KPMG India, "Beyond regulatory compliance", March 2021

AUTHORS
11. Kenneth Agyei-Duah(Senior Associate, Governance, Risk and Compliance Services)
12. Nana Yaa Bosompem (Senior Associate, Governance, Risk and Compliance Services)
13. Belinda Dzifa Asem(Associate, Governance, Risk and Compliance Services)

Emergence of Sustainable Finance and Its Ethical Concerns

One of the positive outcomes from the covid-19 pandemic is the heightened interest in prioritising people and the planet in socio-economic decision making. Investors in recent times have switched the focus of their portfolio choice towards greener ventures and organisations that are making commitments to become responsible; by protecting the earth and or implementing socially conscious practices.

The Convergence of Concern: Regulators, Investors, Business Owners, Consumers

As regulators look to protect resources, investors' interests are also on the rise for businesses and projects with sustainable ESG practices. Consumers are calling businesses out on their processes and are increasingly becoming ESG conscious. Consequentially, business owners are left with no choice than to transact and create businesses using sustainable procedures.

Investor Demand for Sustainability

The days when investor interests were limited to the bottom line, operational efficiencies, lucrative models, and charismatic leaderships are fast becoming historic in the modern financing landscape. Not to say that these metrics are lost on the modern-day investor. No, profitability and growth potential remain the primary focus of most investors, according to McKinsey's 2019 Global Banking Review[1].

The traditional approach still employed by short-term investors and other market speculators looks principally at the financial value derived from risks taken on businesses – however, this has been noted as a limiting factor in the full achievement of inclusive capitalism[2] but supports the Friedman doctrine of increasing profits[3] – sometimes interpreted as the "greed is good" theory.

In fact, the two (financial and social value) are not mutually exclusive. There is a crossroad where profits and purpose intersect. London Business School's Alex Edman suggests that the social responsibility of businesses includes profit[4] – premised on the idea that we can have "mutually benefiting" outcomes from business activities where investors and society simultaneously profit. The idea is to create profits only through creating good value for society – denoting the need for businesses to solve social problems rather than creating new ones or worsening existing situations.

Over 93% of companies regard ESG as essential element for enterprise value

Therefore, high profitability needs not to be discouraged, but rather, high profitability at the expense of society should be. BlackRock's head of investments, Michelle Edkins, addressed it succinctly that "purpose does not mean diverting from profits"[5]. Doing the right thing is the pathway to a more sustainable business.

Investors are currently adopting a more human-centred approach to evaluating businesses, which goes beyond crunching numbers and the Friedman doctrine. The portfolio selection criteria for investors are increasingly becoming green, with much significance given to "the story":

> *A narrative about why the business matters to society; whether it creates an essential product meant to contribute to mitigating the world's ills; where the idea came from, and where the plan is taking it to. What need is the business meeting? how will it change the world? what makes it exceptional?*

Today, businesses need a compelling, socially responsible story that transcends their growth potential in their pitch to pique the relative interests of potential investors – and the world is responding positively.

75% increase in the global media coverage of ESG investments

Over 93% of companies surveyed globally by the International Data Corporation in 2020 currently regard ESG as an essential element for enterprise value [6].

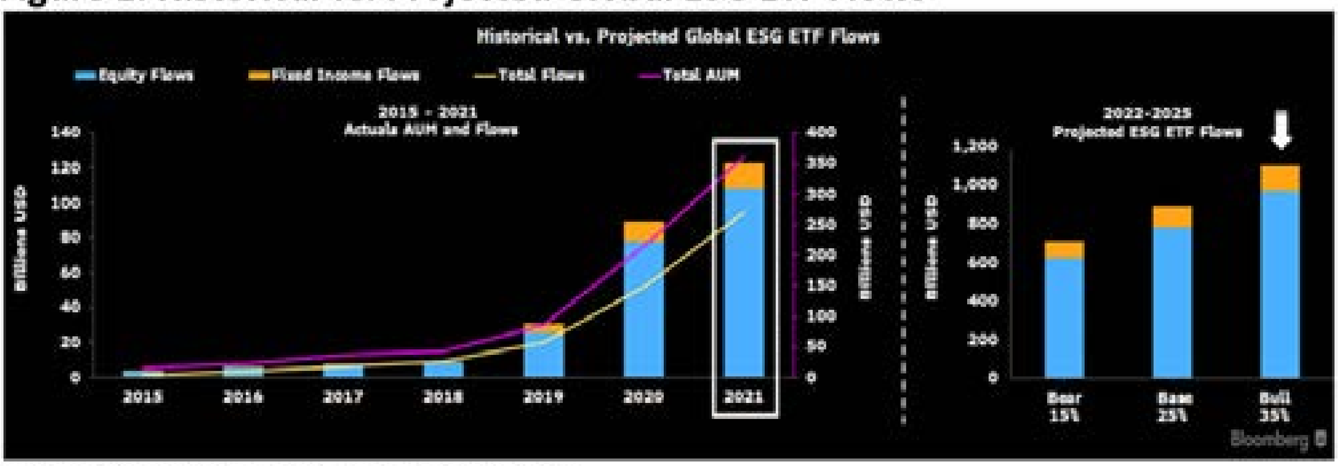
Practitioners have noted a 75% increase in the global media coverage of ESG investments[7], bringing with it an unprecedented level of publicity, awareness, and public scrutiny. Consequently, ESG topics have become the standard-bearing hallmark for forward-looking institutions and are increasingly taking centre stage in stakeholder dialogue. Conscious consumerism is also driving demand for sustainability, especially in advanced economies, where the increased demand for "ecologically friendly" products (i.e., either preserves nature or safeguards consumer interests or creates jobs or promotes equality and inclusion) has been palpable and drastic.

Within the past few years, investor interest in the subject has increased to a mainstream crescendo, as ESG factors have dominated the top five global risks since 2019 (per the World Economic Forum's report)[8]. Businesses are currently being assessed through the ESG and sustainability lens with increasing demand for material disclosures. Thus, shifting the concept of Sustainable Finance from a niche practice to a central business pillar.

Today, studies show that seven (7) out of every ten (10) investors focus on ESG factors in making their selection decisions[9]. More capital is being allocated to the sustainability space worldwide. ESG-centred funds in the United States have more than doubled within a year, from 2019 (over $20 billion) to over $50 billion in 2020, making up a 1000% increase from the $5 billion value recorded in 2018[10].

The story is no different in Asia, where sustainable fund assets under management nearly tripled in 2021 to $37 billion[11]. On the global scale, the ESG debt market alone is currently valued at about $4 trillion, with Bloomberg Intelligence projecting an increase to $15 trillion by 2025, whilst the cumulative value of ESG assets is expected to surpass $41 trillion and $50 trillion in 2022 and 2025 respectively under the scenario of a bullish market – making up almost a third of the total projected assets to be under management globally[12].

Figure 1: Historical vs. Projected Global ESG ETF Flows



Source: Bloomberg Intelligence, DataExhibit.

Investor demand is also clear in the subscription rate of green instruments. The European Union's SURE unemployment scheme bond and its NextGenerationEU program – both social bonds – were oversubscribed with higher demand than the intended offer, with the latter especially receiving orders more than ten times its offer. The Danske Bank's Jens Sorensen attributed the success to its ESG footprints. Other experts like the EU's Jan Koopman attributed the success to its triple-A rating, making it a safe instrument for investors[13].

Locally, the Tier II Green Note issued by Ecobank Transnational in 2021 was oversubscribed by 3.6 times its actual offer amount, as listed on the London bourse.

Can Investors Really Do Well by Doing Good?

With so much interest comes the discussion of relative returns. Today, the debate on impact investing is no longer about sacrificing earnings but instead centres on the ESG factor's resilience to risk and its contribution to the returns on portfolios – a testament to how funds with ESG focus are outperforming their counterparts in the other bracket, over both short and long-term horizons.

In 2020, BlackRock's investment analysts found that over 88% of sustainable funds outperformed their non-sustainable counterparts between January and April [14]. S&P also reported in 2021 how most ESG-related funds (11%-29%) are outperforming the S&P 500 index (10.8%). Even though the case has been slightly different in the early parts of this year, where only less than a quarter of ESG funds have seen such similar success. Nonetheless, a study conducted by Fidelity International (UK) found that ESG equities outperformed their traditional peers even amid market volatility during the peak of the covid-19 crisis in 2020. The same study also found a strong correlation between ESG rating and the market performance of companies[15]. Some fund managers suggest that the non-traditional risks aspect of ESG portfolios resulted in their resilience during the volatility and subsequent market downturn. Even though there is data to back these assertions, it has not stopped critics like the Scientific Beta platform from disputing them, claiming ESG ratings and strategies do not offer any new insights, nor does it insulate portfolios against downside risks, respectively. Meanwhile, a report by quantitative data finance company Arabesque S-Ray, confirmed the ESG outperformance theory by pooling and separating portfolios into five (5) segments, based on their ESG score ratings over a longer term[16]. The "Top 20%" group (G5) outperformed the "Bottom 20%" (G1) by 3.4% annually from 2007 to 2018 and exhibited significantly lower volatility. Regardless, the "bottom 20%" companies underperformed the overall market by 2.2% per annum, connoting that perhaps not just an ESG-tag but a material ESG part of a portfolio leads to higher earnings. (See chart below)

Source: Arabesque S-Ray

This explains why investors are currently pushing ESG expectations downwards to their portfolio companies to ensure compliance, adequate disclosures and (in several cases) full-scale implementation. Larry Fink of BlackRock – the world's largest asset manager – who pens open year-end letters to CEOs, started urging companies to look beyond financial performance to have "A Sense of Purpose" in 2018. Since then, his letters have served as a medium to request business leaders to make more disclosures about their societal contributions, implement ESG strategies or risk losing out on investments.

Sustainable finance has garnered attention from governments, organisations, and investors in recent years. Development finance institutions continue to support businesses they believe will serve the long-term interest of the environment and people. Over the years, financial sector regulators have taken positions to ensure they play critical roles in ensuring their respective markets embrace the need to operate in a sustainable manner. New regulations and guidelines aimed at fostering sustainable investments have been introduced in various jurisdictions, and many companies are willing to prioritise sustainable objectives in their strategies and operations.

The advent (and subsequent success) of Sustainable Finance has not been limited to the space of responsible investments but has also extended to other options like responsible banking, responsible insurance, responsible corporate and public financing.

> **"The green transition will not happen without the financial sector. We must ensure that our money works for our planet. There is no other greater return on investment. - J. C. Junker"**

The Need for Banks to Prioritise ESG In Their Operations

"The green transition will not happen without the financial sector. We must ensure that our money works for our planet. There is no other greater return on investment."

This quote by the former president of the European Commission, J. C. Junker, expresses the need and urgency for the banking system to act as the main driver of the sustainability agenda. The evolution of the responsible banking idea revolves around integrating ESG factors in banking operations and structuring funding and lending facilities to promote a sustainable economy. This idea is critical due to the unique role of the banking sector as the financial resource backbone and enabler of the wider economy.

Since the 2015 launch of the United Nation's Sustainable Development Goals (SDGs), advocates and regulators alike have cited the significant threats that ESG risks pose to the global financial system, calling for immediate action from players. The sector has the power to influence the business and operating models of other companies to become "greener."

Financial service institutions do not operate in a vacuum, hence, have a responsibility to ensure that excess resources of lenders are being channelled to enterprises and initiatives in society's interest, as part of efforts to fund society's long-term needs. On the other hand, banks also have to fortify their operations and resources against the future. The Bank of England's warning to bankers and insurers in 2019 emphasises this need; that the inaction of the financial system in addressing the climate change situation will lead to a remarkable drop in asset prices and potential losses leading to about $20 trillion[17].

Responsible banking practices are equally relevant in corporate, private, retail and investment banking. It entails lending to and providing banking-related services for entities with positive ESG factors. The recent history and widespread implications of financial crisis have highlighted the need for transparency, good corporate governance, and general goodwill practices. Achieving this will require embedding ESG factors into the operational systems, lending frameworks, assessment methodologies and other approaches used by banks.

> "The sooner banks and businesses act on their intention to utilise ESG criteria in their operational activities, lending practices and investment portfolios, the better will they be positioned to attract and keep this generation."

Adopting these on a wider scale is expected to bring the banking system closer to the target of socially responsible institutions. Locally, the Ghana green economy agenda and other green growth initiatives have inspired the Bank of Ghana to launch its Sustainable Banking Principles, together with the Ghana Bankers Association and the Environmental Protection Agency, "to assist banks to respond to the emerging global megatrend issues, such as human security, anti-money laundering, socially responsible stewardship, information communication transparency and disclosure, corporate integrity, environmental and climate change"[18]. It primarily focuses on seven (7) principles from risk management, internal ESG integration, governance and ethics, issues on gender, financial inclusion, the efficiency of energy, and reporting. It also cites five other sectors (agriculture and forestry, extractives, construction and real estate, energy, and manufacturing) as priority areas with specific guidance notes for banks with such portfolios. The Ghana Stock Exchange and SEC are also currently at various stages of drafting guidelines to provide an additional layer of regulations and directions for the issuance of green instruments.

Another perspective for banks to prioritise implementation is to capture the hearts of the millennial generation – projected to possess the most wealth and are also known to be conscious of environmental and social issues. Recent surveys suggest that millennials believe they are more concerned[19] and are more engaged in efforts to protect the environment than the older generations[20]. This could be because climate change and other environmental issues feature in basic educational materials for the newer generation. With this consciousness, millennials are likely to allocate their investment decisions where their beliefs lie, which are socially responsible initiatives, businesses, and engage banks with similar beliefs.

The sooner banks and businesses act on their intention to utilise ESG criteria in their operational activities, lending practices and investment portfolios, the better will they be positioned to attract and keep this generation. Moreover, a green approach to banking will present banks the opportunity to take advantage of the growing investor interests by leveraging the low cost of capital and growing allocations to the sector. Institutional investors want financial intermediaries to acknowledge ESG risks as important and spearhead the drive towards tangible outcomes while earning returns on their investments. Ecobank Transnational's issuance of the $350 million green note (at an 8.75% coupon rate) on the London Stock Exchange[21] proves that investors are willing to commit funds to African banks showing the necessary commitments to sustainable practices. GCB Bank has also attracted a $14 million credit facility from the French Development Agency and a further million euros grant from the European Union for their initiative to support local businesses towards the development of the efficient and renewable energy markets in Ghana[22].

There is a vast business opportunity for the local banking industry to explore in the sustainability landscape, therefore banks have to begin driving value creation by assessing their existing frameworks (governance, risk and reporting etc.) to integrate ESG into all activities.

An overview of Ethics in Sustainable Finance

The history of ethical banking can be traced back to the monti di pietà (mount of piety banks) of medieval Europe, most of which were founded by Franciscan Friars around the mid-15th century, in Italy. These first financial intermediaries were involved in lending money to the poorest and neediest members of society. The loans were given at extremely low interest rates and the banks accepted guarantees from the debtors in various forms. In addition, borrowers had to promise to not only use the loans for their own needs, but also for morally irreproachable purposes[23].

The ethical side of the monti di pietà activities is proven in the help given to the poor, for whom an alternative to usury was offered, and in the moral prohibitions on the use of loans.

This practice birthed the ideas of credit and social commitment. Principle three (3) of the Bank of Ghana's Sustainable Banking Principles requires banks to refrain from doing business with entities that engage in unethical practices[18]. This reinforces the critical role ethics plays in how sustainability goals are pursued and how operations are implemented. Acting ethically is fundamental to promoting trust in all financial services and business activities, including those with a sustainable purpose. Charity begins at home, whiles banks are expected to refrain from doing business with entities that engage in unethical behaviour or practices, it is imperative on them to lead this charge by doing what is right themselves.

Transcending regulations to become truly ethical provides value in diverse ways for banks and other financial institutions – contrary to the belief that ethics are costly, sacrifices the bottom-line and an adverse alternative to increasing shareholder value. Being truly ethical is great for long-term business performance and consistency; an ethical culture naturally mitigates several business risks. "It pays more to be ethical" is not just a moral tagline used to induce good practices from businesses, but a factual assertion with credence in data. Globally, the most ethical companies have produced better financial returns than their unethical counterparts in the recent past since data was tracked – a phenomenon which has created the concept of Ethical Premium. Per Ethisphere's 2022 World's Most Ethical Companies report, the current five-year Ethics Premium stands at 24.6% (based on performances between 2017 to 2022).[24] The study used Corporate Ethics Quotient – a framework that included five broad weighted criteria of governance, ethical culture, leadership and reputation, ethics and compliance program, environmental and social impact – to evaluate the selected businesses. [See the result in the chart below].

Source: Ethisphere

The result shows that the most ethical listed companies selected into the Ethics Index, on aggregate, outperformed its large-cap index comparators by 24 percentage points between the five-year period under review, thus underscoring the medium-to-long-term positive financial impact of being ethical.

Unethical Behaviour as a Threat to Sustainable Banking/Finance

The role of finance in tackling climate change and flow of capital towards sustainable investments cannot be overlooked. Ethics, on the other hand, remain a primary consideration that financial institutions do not have to neglect. Financial institutions can earn investor trust when they develop a strong ethical culture and change the way they do business, by not prioritising short-term profit but also considering other stakeholder interests[25].

Banks as industry financiers are obliged to be proactive in their actions, by being stern on the resolutions and commitments made by prospective and existing clients to ensure they are aligned to society's interests and not just for shareholders' image.
To know whether unethical behaviours can threaten sustainable financing, it is important to establish the relationship between the two concepts. The president and founder of Seven Pillars Institute for Global Finance and Ethics, Kara Tan Bhala shares the view that there is an overlap between sustainability and ethics in certain instances, because the goal of a sustainable activity is to make good and avoid harm – an upside of ethical reason. On the downside, a sustainable goal can be achieved in an unethical manner. The heightened awareness of ESG and impact investing, has unearthed within the financial services industry, a practice where companies compete to get their products and services to be noticed by investors, sometimes through unethical means[26]. An example is an organisation advocating sustainability while engaging in greenwashing.

Why Greenwashing is an Ethical issue

Greenwashing (also known as "green sheen"), coined by environmentalist Jay Westerveld in 1986, is a tactic performed by companies to manipulate information to support their ESG claims. The goal of greenwashing is to convince consumers (or investors) that a product, service, or instrument will help the environment, thereby making it more attractive to them, while in reality, the underlying has no positive environmental impact or qualities. The recent "prospectus fraud" allegations which caused German authorities to raid the offices of Deutsche Bank and its DWS asset management unit[27] has brought the subject back to the forefront of public discourse, prompting backlash, against a backdrop of ethical concerns plaguing the financial industry. In today's investment age, it can be difficult to discern which companies are being truthful

about their ESG narrative and which ones are making false claims to turn a profit, while deceiving the public in the process. Futerra's Selling Sustainability Report published in 2015 outlined ten (10) marketing strategies used in greenwashing to guide investors and other users of "green" information[28]:

- **Vague language:** Words or terms with no clear meaning. What does eco-friendly really mean? How is the product friendly?
- **Green products vs. dirty company:** For example, energy-efficient light bulbs made in a factory that pollutes rivers or a single vegan product in a cosmetic line that is known to test on animals. A bank investing in a renewable energy project whiles using energy powered by fossil fuel is another classic example.
- **Suggestive imagery:** Images that present the product as being environmentally friendly. Think green leaves and animals.
- **Irrelevant claims:** Watch out for this one. In many cases, the entire focus of the campaign will be on an exceedingly small attribute of the product or business.
- **"Best-in-class" boasts:** Beware of the 'we are greener than the rest' rhetoric. The rest might be terrible, and this brand might be just as bad.
- **Lack of credibility:** Is nuclear energy good for you? Are cigarettes? – a chain smoker questioning the safety and good of nuclear energy for society. A bank known and used as a conduit for money laundering touting its ESG credentials.
- **Technical jargons:** Information that only a scientist could check or understand.
- **Imaginary friends:** Made-up third-party endorsements. Paid brand endorsement by celebrities and other public figures.
- **No proof:** A claim that could be true but there is no evidence present. If a company is greenwashing, they are more likely to provide little or no evidence to cover up the fact that they are not acting on their words.
- **Outright lies:** Totally fabricated claims or manipulated data to sell an idea or a product.

Greenwashing creates a negative perception about a company and damage its reputation. Adverse impacts of greenwashing on a company's reputation may include reputational damage, consumer disengagement and broken trust, reduced revenue, reduced capital from investors, negative publicity, and broken relations with employees and other stakeholders.

Unintentional greenwashing is just as harmful as intentional greenwashing. It weakens the efforts of those genuinely working to create sustainability. Even if it's not on purpose, it still overshadows genuine environmental responsibility and confuses consumers who are trying to do the right thing.

Consequently, all players are fundamental to ensuring that the goals of ethics and sustainability are met. Investors, shareholders, and stakeholders alike should be committed to pursuing sustainable goals and reducing carbon emissions whiles governments formulate the necessary regulations directing investors on how to act.

As Ghanaian banks journey towards full compliance of the Principles for Sustainable Banking, it is key to not lose sight of the tendency to create false impressions through their reports and marketing campaigns about their ESG efforts.

How do banks Avoid the Ethical Pitfall of "Greenwashing"?

You cannot tout your sustainability credentials without being an ethical company. "It is easier said than done" is a statement which reflects the difficulty between saying and acting ethically in campaigns to promote a bank's sustainability efforts. It requires cross-discipline and interdepartmental communication and collaboration. Banks must prioritise strong adherence to ethical standards in their internal operations. This will empower staff to remain honest and transparent in their drive towards developing green products and their associated marketing campaigns.

Transparency makes a difference in green marketing. When the marketing of environmentally safe or sustainable products or services is open and explicit, it prevents exaggeration, avoids vagueness, and provides evidence. Banks that do not understand this are at risk of having their efforts ignored, or worse, putting their reputation on the line.

As green finance knowledge and tools evolve, the need for capacity building cannot be overlooked. Implementation of programs to upskill board and employees on fundamentals of ESG and the risk of greenwashing is a critical starting point. Capacity building for the different stakeholders will contribute to awareness creation on sustainability issues, strengthen institutional capacity as well as build buy-in and ownership across all levels. Investments in capacity building give organisations the space to learn, grow and fulfil their mission over time. Ignorance of the ethical concerns inherent in sustainable financing is no excuse for any form of misrepresentation of green facts and breach of related regulations and standards.

Regulators share the core objectives of protecting investors, maintaining fair, efficient, and transparent markets, and reducing systemic risks. Sustainability and climate-related issues can raise important challenges in meeting these core objectives. Regulators contribute to improving ethics by promoting transparency in markets through the disclosure of material ESG information, which allows market participants to identify and assess sustainability-related risks and opportunities.

In addition to promoting transparency, regulators should ensure there are harmonised criteria (taxonomies) for determining whether a financial service or product is "environmentally-sustainable".

This will create a baseline for consistency in the disclosure of ESG-related information. The recent coordination of the IFRS Foundation and GRI to harmonise sustainability standards and disclosures is in the right direction. This coordination comes after the consolidation of the Climate Disclosure Standards Board and the Value Reporting Foundation (which by itself, is an amalgamation of the Sustainability Accounting Standards Board and the Integrated Reporting Framework) to form the International Accounting Standards Board, providing an indication that regulators recognise the need for homogeneity in standards for the practice.

Enhanced corporate governance is also key to improving the controls in place to check greenwashing. Banks must embed ESG criteria in existing risk management procedures and controls. This may be done through the introduction of a bespoke ESG policy to provide the necessary strategic direction for the bank in that regard. The policy will enable banks to follow and have evidence of robust processes to make accurate public statements and claims about how 'green' or sustainable their products and services are.

What is Next?

Do we want to live in an economy supported by society, or a society supported by an economy? In this context, all stakeholders within the financial sector need to ask themselves; what their role in serving society is – what is their purpose? We need to build a financial system that is fit for purpose, inclusive and honest – this requires responsibility and confidence. More transparency and information telling the story of change and improvement (including where things are not yet going well) will build and enhance public trust.[29]

As awareness of ESG and sustainability issues continue to spread, it is prudent to incorporate ethics in everything we do. All actors in the market must adopt processes that promote the greater good for all, during the transition from sustainability commitments to action.

References

1. https://www.mckinsey.com/industries/financial-services/our-insights/global-banking-annual-review
2. doi:10.1080/20430795.2018.1423850
3. http://websites.umich.edu/~thecore/doc/Friedman.pdf
4. https://www.law.ox.ac.uk/business-law-blog/blog/2021/10/social-responsibility-business-includes-profits#:~:text=A%20company
5. https://hbr.org/2019/05/the-investor-revolution
6. https://www.idc.com/getdoc.jsp?containerId=prUS48370121 [Accessed 31 May 2022]
7. https://www.consultancy.eu/news/6109/global-media-coverage-of-esg-investment-has-exploded
8. World Economic Forum 2021 Global Risk Report
9. https://www.im.natixis.com/us/resources/dispelling-esg-and-sustainable-investing-myths-doc
10. https://www.morningstar.com/articles/1019195/a-broken-record-flows-for-us-sustainable-funds-again-reach-new-heights
11. https://www.scmp.com/business/money/markets-investing/article/3139744/esg-investing-what-you-need-know-and-how-smaller
12. https://www.bloomberg.com/company/press/esg-may-surpass-41-trillion-assets-in-2022-but-not-without-challenges-finds-bloomberg-intelligence/
13. https://www.bloomberg.com/news/articles/2021-06-29/eu-builds-1-trillion-recovery-fund-curve-with-second-bond-sale
14. https://www.crossingpoint.co.uk/blog/is-the-growing-interest-in-esg-investments-another-bubble/
15. https://www.spglobal.com/marketintelligence/en/news-insights/latest-news-headlines/most-esg-funds-outperformed-s-p-500-in-early-2021-as-studies-debate-why-64811634
16. https://delta87.org/wp-content/uploads/2019/03/mahlArabesque-fintech-and-human-rights-presentation-2.19.2018.pdf
17. https://www.americanprogress.org/article/climate-change-threatens-stability-financial-system/
18. https://www.bog.gov.gh/wp-content/uploads/2019/12/Ghana-Sustainable-Banking-Principles-and-Guidelines-Book-1.pdf
19. https://sheffi.mit.edu/sites/sheffi.mit.edu/files/2018-05/Greener%20Than%20You.pdf
20. https://www.eonenergy.com/spark/generational-differences-in-attitudes-towards-sustainability.html
21. https://www.londonstockexchange.com/discover/news-and-insights/london-stock-exchange-welcomes-ecobank-transnational-incorporateds-debut-sustainable-bond-sustainable-bond-market
22. https://www.eeas.europa.eu/delegations/ghana/eu-under-sunref-putting-energy-efficiency-and-renewable-energy-within-reach_en
23. https://www.banktrack.org/download/banking_on_ethics/110418_crbmbanchealternativefinale18_aprile.pdf
24. https://ethisphere.com/what-we-do/worlds-most-ethical-companies/
25. https://blogs.cfainstitute.org/marketintegrity/2022/01/13/ethics-and-sustainability-in-finance-two-crucial-aspects-to-fight-climate-change/
26. https://home.kpmg/xx/en/home/insights/2022/04/esg-addressing-greenwashing-in-financial-services.html
27. https://www.dw.com/en/germany-deutsche-bank-raided-in-greenwashing-probe/a-61986810#:~:text=Accusations%20of%20greenwashing%20against%20DWS%20have%20circulated%20for,issues%20such%20as%20environmental%20protection%20and%20climate%20change.
28. https://www.wearefuterra.com/wp-content/uploads/2015/10/FuterraBSR_SellingSustainability2015.pdf
29. https://newsroom.kpmg.com.au/esg-now-every-corporate-conversation/

AUTHORS

1. Kenneth Agyei-Duah(GRCS)
2. Bernard Selikem Dzakpasu(GRCS)
3. Bernard Owusu-Ansah(GRCS)

Financial Stability Advisory Council:

Layer of Optimism for Compliance and Ethical Standards

The need for efficient and effective financial system characterised by strong regional and global competitiveness has often dominated strategic thinking, focus and development of the financial sector by successive governments and other key stakeholders, including financial institutions. Ensuring stability of the national financial system to effectively withstand both internal and external shocks remain non-negotiable; it remains an important economic desideratum.

Figure 1: Members of FSC Sworn into Office

The recent banking sector crisis did not only pose risks to stability of the financial system, but also undermined public confidence in the Ghanaian economy. As a practical response to the foregoing, the Financial Stability Advisory Council (FSC) was established by the President on December 28, 2018. It was established through an Executive Instrument (EI) in the exercise of the President's Executive authority under Article 58 of the Fourth Republican Constitution.

The Financial Stability Advisory Council remains an inter-institutional advisory co-ordination body responsible for advising stakeholders in the financial sector; and advising the President of Ghana. Specifically, the Council was established, among other things, to strengthen and reinforce stability of the financial sector; co-ordinate regulation and supervision of the financial system; evaluate and mitigate financial stability risks; and to develop and enhance resolution frameworks for crisis preparedness.

On April 30, 2019, the Financial Stability Advisory Council held its maiden meeting, following its inauguration by the President on February 12, 2019. The content of a Memorandum of Understanding (MoU) signed by the Council members spelt out clearly, mutually accepted expectations of all member institutions within the Advisory Council. Further, the MoU set out the operational details related to the Council's work.

Figure 2: Maiden Meeting of the Financial Stability Advisory Council

The establishment of FSC could be described aptly as timely; it resulted in the creation of a common platform for various regulators in the financial sector; and brought these regulators together in a harmonious manner to facilitate stability of the national financial system. Presentations by the Technical Committee of the Financial Stability Advisory Council revealed the extent of interconnectedness in the financial sector; and the need for enhanced co-ordination of policies across regulatory bodies.

FSC Membership and Core Initiatives

The Financial Stability Advisory Council comprises representatives drawn from the Bank of Ghana (BoG), Ghana Deposit Protection Corporation (GDPC), Ministry of Finance (MoF), National Insurance Commission (NIC), National Pensions Regulatory Authority (NPRA); and the Securities and Exchange Commission (SEC). The Council remains committed to effective identification of risks that could potentially undermine stability of the financial system.

Beyond the foregoing measure, the Council is equally committed to proffering adequate policy responses to emerging risks to ensure their rapid resolution. To practically demonstrate its risks-resolution prowess, the Financial Stability Advisory Council, during its first year, recommended and outlined six pertinent initiatives toward strategic reduction of identified and potential information gaps within the financial system. These include interconnectedness, real sector assessment, foreign investors' participation, financial system government exposure, leading risk indicators and data hub initiatives.

The ***interconnectedness*** initiative emphasises the Council's resolve to ensure accurate data on the exposure of financial institutions to each other are gathered; and collated for analytical purposes.

The ***real sector assessment*** initiative focuses on consistent examination of the real sector's performance; and its eventual impact on financial stability. The real sector is defined to include the real estate market.

The ***foreign investors' participation*** initiative seeks to determine the imminent factors that influence participation of foreign investors in the stock market; and how stability of the financial system is affected by changes in market sentiments of foreign investors. One of the initiatives is focused on determination of the extent to which the financial system is exposed to government securities, debt, and the energy sector. The Council described the foregoing as the initiative on ***financial system government exposure***.

The initiative on ***leading risk indicators*** underscores the need for the Council to ensure it identifies and agrees on the definition of leading risk indicators within the Ghanaian economy. The ***data hub*** initiative lays emphasis on development of risks indicator data hub to ensure effective monitoring of developments within the financial system.

During 2019, the Financial Stability Advisory Council organised eight Working Group meetings to practically develop the above-listed initiatives. Further, the Council held four meetings; and five Technical Committee meetings. The end-product of these meetings was a presentation of study findings on five of the six initiatives, including interconnectedness, financial system government exposure, leading risk indicators, real sector assessment and data hub initiatives.

Financial Sector Reforms and Growth

Reforms in the financial sector in recent years were intended inter alia to strengthen robustness and resilience of the sector to enhance its contribution to growth of the national economy. Ghana's economic growth agenda include strategic positioning of the country as a global financial sector hub. As a result, sub-sectors within the financial sector have witnessed a number of reforms. These range from establishment of bodies and institutions; resolution of insolvent institutions; increases in capital requirement; and improvements in legislation and supervisory measures.

Indeed, efficiency and effectiveness of the financial sector are reinforced by comprehensive reforms. Given the composition of the Financial Stability Advisory Council, it would be no exaggeration to state the Council's commitment to compliance and promotion of ethical standards could be described succinctly, by examining each member's approval to eliminating inefficiencies; while encouraging compliance, effectiveness, and competition among member-financial institutions. A classic example is the clean-up exercise undertaken by the Bank of Ghana and Securities and Exchange Commission to resolve insolvent institutions.

Arguably, the clean-up exercise did not inure to the economic good of shareowners, investors, other stakeholders of the liquidated banks; and other financial institutions. However, the regulators argued, the liquidation was necessary to safeguard stability of the overall financial system; while promoting market confidence.

During November 2019, the Securities and Exchange Commission revoked the licences of fifty-three fund management companies. The value of assets under management of the liquidated companies was estimated at GH¢8.1 billion. Section 122(2)(b) of Act 929 formed the basis of the revocation exercise by SEC. Earlier exercise by the Bank of Ghana witnessed revocation of licences of four hundred and twenty financial institutions.

Specifically, the following categories of institutions were adversely impacted: one leasing company; one remittance company; thirty-nine microcredit institutions; three hundred and forty-seven microfinance institutions; eight finance houses; fifteen savings and loans companies; and nine universal banks.

It is often argued, successful macroeconomic development initiatives and projects that are financially driven require huge capital outlay. This capital outlay is exigent to ensure the financial industry has "deep-pockets" to

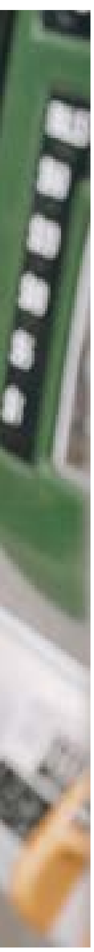
provide requisite and adequate support for transactions termed as "big-tickets" (BoG, 2019). The foregoing argument lends strong credence to recent decisions to review upwardly, the minimum operating capital requirements for the banking and insurance sub-sectors of the financial sector.

During June 2019, new minimum capital requirements were announced for the insurance industry. Statistics on the minimum capital required for the various categories of arms in the insurance industry are shared in Table 1. Data in the table suggest both Life Insurance and Non-Life Insurance companies recorded nearly 233.33% increase in their respective minimum capital requirement. This was 20.83% and 166.67% in excess of the respective increase recorded by Reinsurance Companies (212.50%) and Insurance Broking Companies (66.67%) during the period.

Table 1: Capital Requirement for the Insurance Industry

Entity	Previous Minimum Capital Requirement (GH¢)	New Minimum Capital Requirement (GH¢)
Life Insurance Companies	15 million	50 million
Non-Life Insurance Companies	15 million	50 million
Reinsurance Companies	40 million	125 million
Insurance Broking Companies	300,000	500,000
Reinsurance Broking Companies	1 million	1 million

Source: National Insurance Commission (as cited in BoG, 2019).



Strict adherence to ethical standards while ensuring compliance constitutes an important aspect of the integral functions of the Financial Stability Advisory Council.

The only category that was not affected by the new minimum capital directive was Reinsurance Broking Companies. However, it is imperative to state, the new capital requirements were intended essentially to ensure companies in the insurance industry have strong financial capacity for the absorption and retention of risks in the country.

Earlier in 2017, minimum capital requirement for the banking sector was revised from GH¢120 million to GH¢400 million to provide strong financial cushioning for the industry. During 2019, Parliament of Ghana repealed the old minimum capital requirement for capital market operators in the securities industry. Repeal of the 2003 law paved the way for implementation of new minimum capital requirements, which are vital to the development of a financial system that is more resilient to shocks.

Measures for Compliance and Ethical Standards

Strict adherence to ethical standards while ensuring compliance constitutes an important aspect of the integral functions of the Financial Stability Advisory Council. Collectively, it behoves Council members to ensure all financial institutions licenced under their ambit operate in compliance with all relevant statutes; they uphold strong ethical standards to promote the sector's image in a positive limelight; and render the

HEPA AIR PURIFIERS FOR ODOUR AND PARTICLE REMOVAL IN INDOOR ENVIRONMENT

- Banks
- Hospitals
- Hotels
- Educational Institutes
- Corporate Organisations
- Churches

Air purifier for dusty environments and large indoor premises such as cash processing centers and cash vaults, pharmaceutical facilities, food factories, paper mills, welding workshops, bakeries, packaging production, printing facilities, processing industry, and other specialist applications such as upgrading of clean room environments and other classified assembly environment. It is an investment in reduced energy costs, no more odours, healthier working environment with less dust and fewer harmful particles.

Camfil CITY M Air Purifier

CAMFIL CC 6000

CAMCLEANER 2000

CAMFIL CC 800

024 884 6655
055 159 6666

CAMFIL, LEADER IN CLEAN AIR SOLUTIONS!

SALES AND SERVICE BY

uniCell

UNICELLGH.COM

sector attractive to under-banked and unbanked segments of the population to accelerate financial inclusion.

To achieve the foregoing, the Council has taken bold steps to ensure co-ordination among regulators; and effective implementation of mapped-out reforms. Specifically, inter-institutional bodies such as the Law Enforcement Committee of Banks (LECOB); Regulators Forum for Anti-Money Laundering and Combatting of the Financing of Terrorism (AML/CFT); Committee for Co-operation between Law Enforcement Agencies and Banking Community (COCLAB);

and the Financial Stability Advisory Council, among others, promote co-ordination among regulators.

Members of the latter (FSC) compel various licenced financial institutions operating under their regulations to uphold and practice strict ethical standards. For instance, the Chartered Institute of Bankers (CIB), Ghana in collaboration with the Ghana Association of Banks (GAB) and Bank of Ghana issued the Ghana Banking Code of Ethics and Business Conduct during December 2021. The Code was issued in consonance with Section 3(d) of the Chartered Institute of Bankers Act of 2019, Act 991; which mandates CIB to set standards that would ensure members of the banking profession observe and apply professional conduct and ethical standards in the discharge of their day-to-day operations; to commitments to customers and consumers in particular; and to other key stakeholders in general (CIB as cited in KPMG, 2022).

Act 931 of 2016 established the Ghana Deposit Protection Corporation to provide safety for small depositors from losses incurred by failure of banks and specialised deposit-taking institutions. During 2018, portions of Act 931 were amended to derive the Ghana Deposit Protection (Amendment) Act of 2018, Act 968. However, Act 931 and amended Act 968 are collectively referred to as the Ghana Deposit Protection (GDP) Act.

The maximum amount that could be paid to each customer of an insolvent bank (GH¢6,250); or customer of insolvent specialised deposit-taking institutions (GH¢1,250) is stipulated in Section 20(3) of the Ghana Deposit Protection Act. The overall idea is to bolster safety nets within the financial sector; and to render the sector more attractive to the population, especially the under-banked and unbanked segments; while promoting best practices through compliance and promotion of ethical standards among financial institutions across the country.

In order to strengthen the financial system, varied directives and legislations have been issued and passed across sectors. For instance, the banking sector has witnessed the issuance of new regulatory capital directive based on Basel II and III; where in the last six years, a number of laws and directives have been passed and issued to address issues related to poor corporate governance; poor risk management systems; and specific risks from non-performing loans (NPLs). Examples of Acts and Directives passed and issued during the period under review include the Payment Systems and Services Act of 2019, Act 987; Cyber and Information Security Directive; Fit and Proper Persons Guideline; and Corporate Governance Directive, among others.

During 2019, regulatory framework for Commodity Exchange and associated Warehouse Receipt System were promulgated in the Securities sector. The overriding objective

was to promote food security and farmer-income security throughout the country. Further, it was considered imperative to set and operate funds dedicated to real estate sector investments. To ensure realisation of the foregoing, regulatory framework for Real Estate Investment Trusts (REITs) was established.

In recent years, the pensions sector has witnessed issuance of guideline on the investment of pension funds; and issuance of consumer protection policy. The guideline sought to regulate the investment behaviour of pension fund managers and trustees; while passage of the executive instrument was intended to prosecute non-compliant employers (BoG, 2019).

Regulatory reforms within the insurance sector have been substantial in recent years. As an example, a draft insurance bill completed by the National Insurance Commission was laid in Parliament for deliberations and approval. The Bill seeks to enhance regulatory powers of the National Insurance Commission, among other pertinent considerations. The insurance sector considered rolling out Risk-Based Capital Framework. This was to ensure comprehensive linkage of minimum capital requirement to the nature and levels of risk inherent in the businesses and activities of all insurance companies toward policyholders and the public, are characterised by fairness and transparency.

The National Insurance Commission, during December 2019, introduced and implemented a Motor Insurance Database as part of measures designed to curb the proliferation of fake motor insurance stickers across the country. The initiative was expected to ensure significant improvement in the volume of written premiums and claims payment in the motor insurance industry. In addition to the foregoing, NIC engaged the National Insurance College to provide free training to about ten thousand graduates and after-school leavers. This innovation sought to promote professionalism; while increasing employment opportunities with insurance companies and intermediaries.

The Financial Stability Advisory Council has worked assiduously and consistently to improve data gathering processes and reporting systems. To illustrate, the Bank of Ghana during 2019 acquired new surveillance software to enhance the supervisory processes related to maintenance of data integrity, data analysis, submission of returns; and implementation of International Financial Reporting Standard (IFRS) 9 by banks, among other initiatives.

The regulatory software (Vizor Software) used by the National Insurance Commission is routinely checked and continuously improved to enhance the quality and analysis of quarterly and annual reports submitted by regulated entities. Promotion of financial integrity within the banking sector and beyond has remained one of the underlying concerns of the Financial Stability Advisory Council.

A revision of the reporting requirements for the Asset Management Industry saw the inclusion of quarterly placement reports on funds under management and Collective Investment Schemes (CIS) to enhance transparency and accountability associated with the management of clients' funds. A moratorium placed on the licencing of new Fund Managers allowed the Security and Exchange Commission to review prevailing licencing regime to emerge with a market that is more resilient and stronger; and to introduce new licencing guidelines. During June 2018, the Securities and Exchange Commission halted guaranteed investments; and further asked fund managers to unwind such investments by December 2018.

The Bank of Ghana (2019) noted, one of the major factors that undermine the integrity of businesses in particular and the financial sector in general is money laundering. Undoubtedly, money laundering; financing of terrorism; and financing of the proliferation of weapons of mass destruction have the potential to impact adversely on financial stability and growth of implied economies, including the Ghanaian economy.

The negative macroeconomic implications of these activities stem from movement of financial resources; unexpected withdrawals; limited financial transactions in some cases; and surge in volatility of international capital flows, resulting in exchange rate fluctuations. However, effective, and efficient promotion of financial integrity in the Ghanaian financial system is contingent on the enforcement of statutes on Anti-Money Laundering; and the Combatting of the Financing of Terrorism and the Proliferation of Weapons of Mass Destruction (AML/CFT&P).

The enormity of the challenge has rendered strategic efforts to strengthen Ghana's AML/CFT systems a prime subject for key stakeholders, including the government and financial sector regulators. The financial sector regulators integrally include members of the Financial Stability Advisory Council. To enhance the effectiveness of its supervision prowess, an Anti-Money Laundering policy was developed by the Bank of Ghana. The policy inter alia, mandates the Bank of Ghana to conduct AML/CFT supervision essentially through risk-based assessment of the adequacy and effectiveness of the policies with procedures; and the internal controls established by financial institutions as mitigating measures for risks associated with money laundering and terrorism financing.

The anti-money laundering policy of the Bank of Ghana seeks essentially to ensure the application of proportional approach to the supervision of AML/CFT. Thus, the policy is focused on key variables such as intensity, frequency and scope of supervision activities centred on risks related to money laundering and terrorism financing.

The Bank of Ghana ensures implementation of content of the Anti-Money Laundering policy by combining off-site monitoring activities with the conduct of on-site examinations. This is carried out in close concert with other functions of BoG, namely enforcement, licencing, and prudential supervision. To engender stronger compliance, the Bank of Ghana thought it expedient and necessary to intensify awareness on AML/CFT for accountable institutions.

The Financial Stability Department of the Bank of Ghana has conducted series of sensitisation workshops to foster awareness on trending and emerging issues; and regulatory matters on AML/CFT. Events and emerging issues observed during regular on-site and off-site activities formed the basis of the organised workshops. The sensitisation workshops addressed challenges related to how to strengthen the forum on AML compliance for each sector; provide effective explanation on risk assessment and customer risk profiling; and identify the

role of financial institutions in ensuring Ghana is not included on the *grey list* of the Financial Action Task Force (FATF); or any other form of sanctions list.

Other challenges addressed by the sensitisation workshop include how to ensure effective explanation on emerging AML/CFT typologies and trends; careful and thorough analysis of cost of AML/CFT compliance for accountable institutions; and how to ensure cost effectiveness in the implementation of measures related to *know your customer* (KYC); *customer due diligence* (CDD); and *enhanced due diligence* (EDD).

During July 2018, the Bank of Ghana issued a directive on administrative sanctions to be meted out as punitive measures to all accountable institutions that breached Ghana's laws related to AML/CFT. Strategic issuance of the administrative penalties and sanctions by BoG was intended to heighten the level of compliance among financial institutions in its jurisdiction.

The sanctions were spelt out in consonance with the Anti-Money Laundering Act of 2008, Act 749 (as amended); and Anti-Terrorism Act of 2008, Act 762 (as amended). Others include Anti-Money Laundering/Combatting of Terrorism Guideline for Banks and Non-Bank Financial Institutions (AML/CFT Guideline); and Banks and Specialised Deposit-Taking Institutions Act of 2016, Act 930 (BoG, 2019).

The Bank of Ghana further established a regulators' forum to improve policy co-ordination and sharing of valuable information on anti-money laundering and combatting of the financing of terrorism. The regulators' forum comprises various apex bodies within the financial sector. Members meet regularly to discuss emerging issues; and to identify common solutions to matters related to AML/CFT.

The Bank of Ghana, Securities and Exchange Commission, National Insurance Commission, Ghana Revenue Authority, Gaming Commission; and the Financial Intelligence Centre (FIC) form the nucleus of the regulators' forum. The underlying objective of the forum is to foster partnership among the apex bodies in their positive bid to ensure meaningful AML/CFT compliance among their respective licenced institutions.

Since its formation, the regulators' forum has engaged in series of discussions on emerging issues to champion its noble agenda. Notable among these include useful discussions on the proliferation of Fintech products, including non-face-to-face transactions; effective implementation of the guidelines on sanctions developed by the Bank of Ghana, Securities and Exchange Commission and National Insurance Commission; effective reliance on intermediaries and third parties on customer due diligence; risk assessment of new products; implementation of a culture of anti-money laundering and combatting of the financing of terrorism compliance among accountable institutions; and how to identify common grounds for customer due diligence, among other pertinent and relevant discussions, geared toward enhancing policy co-ordination; sharing of valuable information; and ensuring licenced financial institutions operate in line with approved ethical standards.

Conclusion

The recent global financial crisis and Ghana's financial sector challenges clearly demonstrated how a seemingly limitless event could have dire implications that span beyond a group of institutions; or particular sector. Global Risk Institute (n.d.) argued, when large interconnected financial institutions fail or experience significant disruptions, a ripple effect could spread through the market; and this has the potential to collapse industries and to destabilise economies.

The narratives affirmed, establishment of the Financial Stability Advisory Council was and still necessary to ensure the emergence of inter-institutional consultative co-ordination body that could proffer relevant advice on how to strengthen and reinforce stability of the national financial system. Stated in different terms, formation of FSC was necessary to ensure early detection of operational challenges among licenced financial institutions; and to restore sanity in the financial system. In essence, FSC was established with the purpose of serving as preventive; and not reactive tool to unfavourable occurrences within the national financial system.

These measures become inevitable when efforts are focused by regulators on mitigating future occurrences; and assuaging uncertainties in the financial system through concerted efforts; and through well-co-ordinated regulatory supervision of various licenced financial entities. Further, the identified measures become equally unheralded when they are geared toward maintaining healthy financial institutions to assure adequate protection for individuals' lifetime savings; while boosting public confidence in the financial system.

Underpinning the foregoing strides is the pen chance to ensure compliance and strict adherence to ethical standards among licenced institutions; to foster positive relations with customers and consumers. Further, the overarching objective is to advance financial sector growth that is inherent with strong regulatory compliance and desired ethical standards. These operational variables and ideals possess the requisite credentials to engender competitiveness of banks and other financial institutions; ensure economic stimulation; and to ensure consistency and steadiness in contribution of the financial sector towards growth of the national economy. □

Bibliography

- **Bank of Ghana, (2019).** Financial Stability Review. Accra, Ghana: Bank of Ghana.

- **Global Risk Institute. (n.d.). Financial stability and regulatory compliance.** Retrieved from https://globalriskinstitute.org/research/financial-stability-regulatory-compliance/

- **GNA. (2019). Financial Stability Advisory Council sworn into office by President.** Retrieved from https://newsghana.com.gh/financial-stability-advisory-council-sworn-into-office-by-president/#:~:text=Financial%20stability%20Advisory%20Council%20President%20Nana%20Addo-%20Dankwa,Ernest%20Addision%2C%20Governor%20of%20the%20Bank%20of%20Ghana.

- **GNA. (2019). President inaugurates Financial Stability Advisory Council.** Retrieved from https://www.businessghana.com/site/news/Business/181976/President-inaugurates-financial-stability-advisory-Council

- **KPMG. (2022). Ethics and Business Conduct in the Banking Industry - Survey.** Accra, Ghana: KPMG.

- **MOFEP. (2019). Fiscal, and Financial Stability Councils now established.** Retrieved from https://mofep.gov.gh/news-and-events/2018-01-03/fiscal-and-financial-stability-councils-now-established

- **Starr FM. (2019). Ghana establishes Fiscal and Financial Stability Councils.** Retrieved from https://starrfm.com.gh/2019/01/ghana-establishes-fiscal-and-financial-stability-councils/

- **The Ghana Report. (2019). Financial Stability Advisory Council holds maiden meeting.** Retrieved from https://www.theghanareport.com/financial-stability-advisory-council-holds-maiden-meeting/

Covid-19 – Did We Just Open Pandora's Box - Ethics in the Era of Digital Evolution

By Adjoa Adjei-Twum
CEO of EBII Group

Introduction

"Cyber Risk is an endemic problem; if you ask me what keeps me awake, it is cyber risk" responded Zenith Group PLC Chief Executive Officer Ebenezer Onyeaugwu to the question *"Africa is a region with several economies at different levels of development and sophistication, what role are the Pan African institutions playing in fostering homogenisation of banking regulations and norms across the various economies.*"

In a Question-and-Answer session, which included the likes of His Excellency Wamkele Mene, the African Continental Free Trade (AfCTA) Secretary-General and Her Excellency Dr Amani Abou-zeid, Commissioner of the African Union, during the first EBII summit in 2020, all speakers in their submissions established the need to push digitalisation but acknowledged the key risks that come with it and the need for proactive views on compliance and harmonisation of effort to mitigate these risks.

The world's global population is estimated to produce 2.5 quintillion bytes of data daily, and this opens the door to endless opportunities for most businesses, especially those in the banking industry.

Data can be used to drive decisions and make a tremendous impact on society. Financial institutions have enough data at hand to reshape the way they operate and influence the world around them. They can optimise the way they engage their customers, becoming more efficient, more predictive, and, as a result, more profitable.

This level of access also opens the door to several ethical issues that require asking some critical questions. Questions like how can organisations ethically collect, store, and use data? What rights must be upheld? Who does the data affect, and what are the privacy and reputational risks? What are the obligations of those with so much power and what can they do to ensure that society is protected rather than impacted negatively.

Ethics is important because the right ethical processes build trust with consumers, and trust reduces the cost of operation and doing business globally.
"We're living in a crisis of trust, which has great transaction costs to our economy"... Trust is built on competence and ethics (N. D. Debevoise, 2020)

As 20th-century Supreme Court Justice Potter Stewart remarked, "Ethics is knowing the difference between what you have a right to do and what is right to do."
There is a difference between being compliant and being ethical and staying out of trouble does not necessarily deem you trustworthy.

As the world becomes more and more data-dependent and as AI and other technologies make this world more interdependent, it is important that the issues around ethical conversations stay relevant and in line.

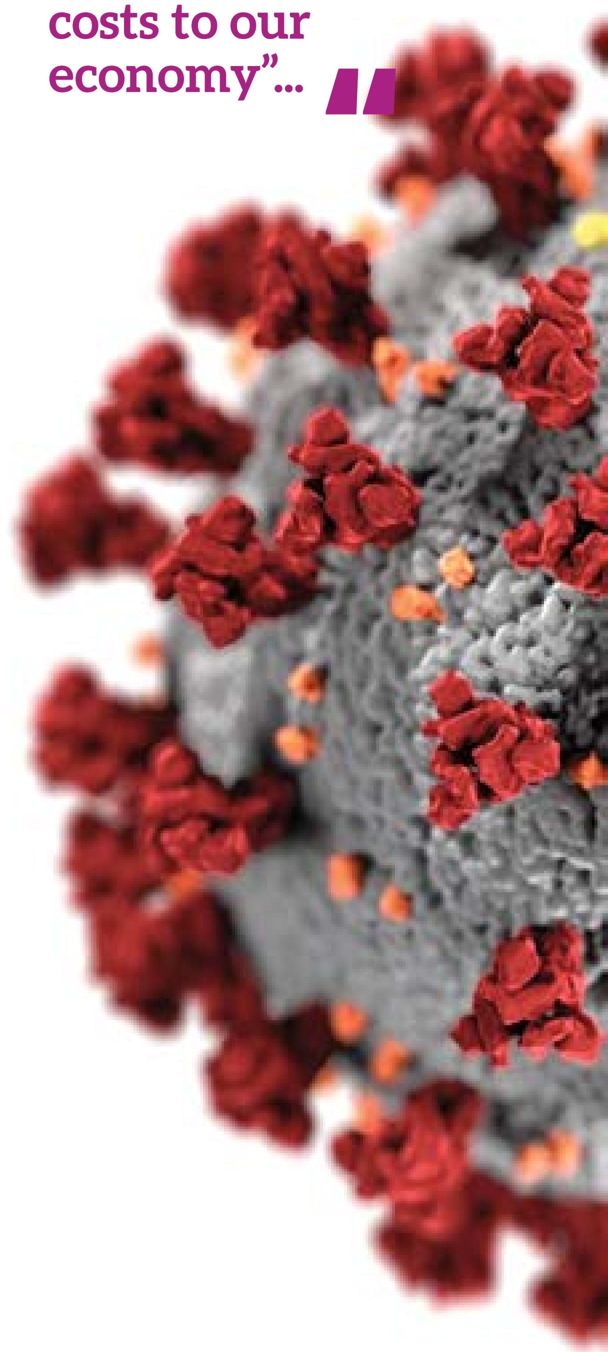
In a 2019 article by KPMG on the ethical use of customer data in a digital economy, it is stated that "The ethical use of data and the extensive use of AI in day-to-day customer interactions have been an area of increased focus for politicians and regulators globally, as well as for news and media channels, over the last couple of years. As a result, new centres of research, such as the UK Centre for Data Ethics and Innovation, have been established and sit alongside the research developed by' big tech' companies across the world."

As the world becomes more global and the banks become major data custodians, there is a strong need for them to take a critical look at Data ethics. The banks need to ensure that not only are they compliant with financial and data regulations, but that they incorporate ethics into their day-to-day engagements to increase the confidence and trust of the everyday consumer.
This is even more crucial in this part of the world as we look to gain more financial inclusion and build partnerships in the journey of consistent innovation.
The covid pandemic has brought about significant shifts in the way Banking was done during covid, and probably the way it will be done post covid. These transitions require a keener set of lenses when dealing with issues around risks and the controls framework that needs to be put in place. It also requires a different culture, one that weaves strong ethical principles into its very fabric.

Before the covid-19 pandemic, a significant part of the onboarding process of new banking clients was done in person. Especially when conducting customer due diligence (CDD). This added a certain level of scrutiny that has been reduced due to the remote nature of banking today.
In addition, due to the need to observe pandemic related protocols, a lot of financial institutions were forced to find remote and innovative ways of serving their customers without putting them at unnecessary health risks. These both presented opportunities for reducing cost and increasing profit but also an increase in cyber risk, and a resulting increase in data exposure and abuse.

When looking at Data ethics we need to be viewing engagement through three simple ethical lenses

"We're living in a crisis of trust, which has great transaction costs to our economy"..."



15 YEARS OF FIDELITY BANK

A Story of Excellence Brewed in Ghana

At a time when the banking industry is facing unprecedented disruption from the COVID-19 pandemic and geo-political instability, Fidelity Bank Ghana continues to chart the path of banking excellence in Ghana.

A Story of Growth

15 years after its establishment, Fidelity Bank is already the largest privately-owned indignous bank, and is reputed as an innovation leader in the Ghanaian banking sector. The Fidelity story began in 1998 when the founders launched the Fidelity Discount House with the goal of providing best-in-class financial services in Ghana's Money Market with world class standards of delivery. Building on the success of the Discount House and a rapidly growing clientele base, Fidelity evolved into a fully-fledged Bank in October 2006 only eight years after inception.

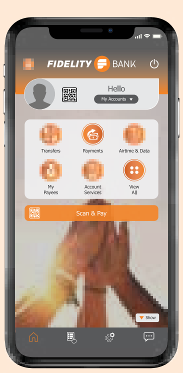
Fidelity Bank has since grown rapidly to become a Tier-1 Bank and serves approximately 2 million customers via 75 Branches across Ghana. The Bank also has two subsidiaries, Fidelity Asia Bank Limited, which is a wholly owned subsidiary in Malaysia and Fidelity Securities Limited, a specialized investment banking and asset management firm. Though relatively young, Fidelity Bank is one of the most recognizable and respected brands in Ghana's financial services industry due to its customer-centric culture and innovative financial inclusion initiatives.

Pioneers of Agency Banking in Ghana

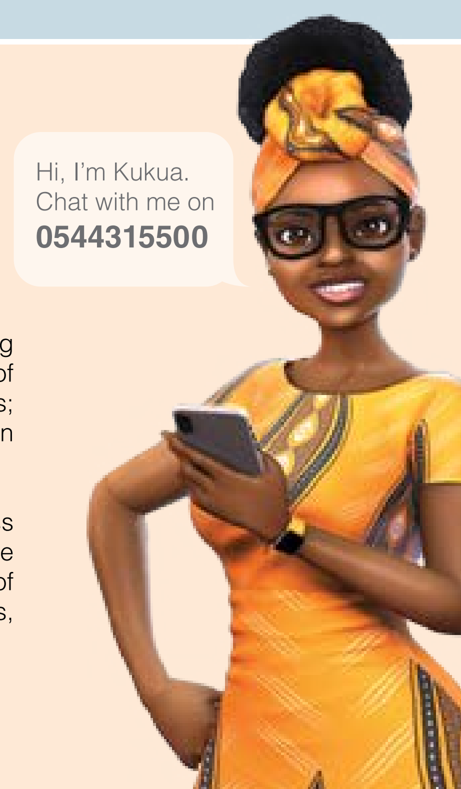
In 2013, Fidelity was the first bank in Ghana to venture into Agency Banking, with the flagship Smart Account; a minimum-effort "Know Your Customer" (KYC) requirement account that could be opened within five minutes.

The Bank's expansion into Agency Banking has steadily evolved into a major undertaking with over 5,000 Agents. This has brought banking to the doorstep of Ghanaians with Fidelity Agent points located within Post Offices, Supermarkets, Mobile network vendor points, neighbourhood grocery shops and various other convergence points in communities all over the country.

A forward-looking agenda of Digitalisation and Transformation



Fidelity is currently revolutionising the digital banking sphere with services such as a market leading Mobile App, a 24-hour WhatsApp banking assistant called Kukua, and an award-winning online account opening service.



The Bank committed to a digital transformation drive with the goals of boosting customer utility and increasing internal efficiency. As at May 2021, over 89% of all customer transactions were processed via the Bank's various digital channels; underscoring the strides made towards this goal and the successful migration and conversion of the majority of the Bank's customers onto digital platforms.

Julian Kingsley Opuni, Managing Director of Fidelity Bank attributes the progress made thus far to the priority initiatives that were mapped out at the onset of the Bank's digital journey. "Our ongoing journey of digitalization has been one of systematic progression, guided every step of the way by customer insights, mobile-first innovation, data science and advanced analytics," he asserts.

Scan the code to download the Fidelity Mobile App

Landmark Transactions

Fidelity Bank was the first indigenous bank to manage the logistics for a Eurobond issuance for Ghana. Prior to 2018, leading any aspect of the country's access to global financial markets was deemed the preserve of only multinational banks in developed economies. Following the success of Fidelity Bank as the logistics bank for the 2018 Eurobond issuance, the status quo has changed.

On the local front, in July 2017, the Bank was appointed as Joint Lead Manager for the GH¢ 10 Billion E.S.L.A. Plc Bond Programme under which cedi-denominated medium to long-term amortizing bonds were issued. Over GH¢ 7 Billion has been raised since the launch of the Programme and its success created the financing solution blueprint for other cedi-denominated bond issuances.

Social Impact

Beyond its work in the financial sector, the Bank has introduced and supported many initiatives to directly serve the local community. Most recently, Fidelity played a leading role in the response of the Ghanaian private sector to the COVID-19 pandemic. As the custodian of the Ghana COVID-19 Private Sector Fund, Fidelity Bank donated GH¢ 1 million to support the construction of Ghana's first Infectious Disease Centre located at the Ga East Municipal Hospital in Accra.

The Bank also launched the Fidelity Young Entrepreneurs Fund (FYEF) to support existing businesses and startups of young entrepreneurs with financial and non-financial resources. This is to harness social impact potential, build capacity, and guide youth-related businesses to grow and scale up their businesses.

Leading the Banking Industry into the Future

It has been the distinct honour of Fidelity Bank to serve the Ghanaian marketplace and beyond with its tradition of banking excellence and the experience of its highly qualified professional staff. As the Bank looks forward to the next 15 years and beyond with an agenda focused on digitalization, technology and improved customer experience, it is expected that Fidelity Bank will continue playing its de facto role as a pace-setter in the Ghanaian Banking industry. The professional dedication and commitment that propelled the Bank's last 15 years of success will only be surpassed by the drive and intent to build upon this foundation and drive the Bank in to the future, strengthening the trust afforded to us by our clients and society.

FIDELITY BANK

Believe with us.

1. *What is Right?*

i. What are our obligations and what should never be done?

ii. What are our duties and ethical obligations?

iii. How do we perform the right actions?

2. *What is Fitting?*

i. What do the ethical institutions we benchmark against do?

ii. What are the values we wish to portray

iii. How do we develop an ethical culture

3. *What is Good?*

i. What outcomes should we produce?

ii. What impacts are we making, direct and indirect, negative, and positive

iii. How do we ensure that we are producing the best?

In a region that is seen by the world as already high risk and is suffering dearly due to excessive scrutiny, it is important that African banks not only stay abreast with compliance and regulatory requirements but that they lead the effort in finding new ethical ways to avoid breaches and to keep their digital assets safe.

Before COVID 19

From May 2018, the general data protection regulation on which the Ghana Data Protection act was later modelled was implemented, and this set out seven fundamental principles

- Lawfulness, fairness, and transparency.
- Purpose limitation.
- Data Minimisation.
- Accuracy.
- Storage limitation.
- Integrity and confidentiality (security)
- Accountability

To stay relevant most banks did what was Right, tried to follow regulations set by the regulatory bodies and performed their obligations to their customers whilst ensuring that they protect shareholder interests. You wanted to make sure you are not fined or found wanting by bodies like the GDPR or be exposed due to financial breaches. Cybersecurity risks were huge, but the focus was more on ensuring you were being diligent and ensuring you do not get hacked.

These were principles on which institutions were expected to build their processes for dealing with personal data, and failure to comply generally attracted substantial fines. As a result, several financial institutions have been fined heavily due to the lack of compliance. A report by Tessian, Jan 2022, suggests that since the GDPR took effect in `May 2018, `there have been over 900 fines issued across the European Economic Area and are ramping up significantly in recent months. The EU General Data Protection is among the world's toughest data protection laws. Their counterpart in the African region may soon start following suit as the world becomes more interconnected.

During the Pandemic

According to a Deloitte article written on the "impact of Covid-19 on cybersecurity", the coronavirus created new challenges for businesses as they adapted to new ways of working especially with the incorporation of working from home and remotely in general.
In a volatile and complex environment, businesses had to survive, and they had to do what fits, the focus was on safety whilst innovating aggressively to make up for restrictions imposed to save lives.

Financial crime risk was also compounded by the Covid-19 situation, with criminals seeking new ways to launder illicit money and exploiting weaknesses in the global financial system. A report on Covid-19 published by the Financial Action Task Force (FATF) in May 2020 revealed that criminals were using the pandemic to commit fraud and scams such as advertising and trafficking in counterfeit medicines and phishing schemes that prey on virus-related fears (FATF, 2020). This opened new concerns for institutions and tremendously increased the chances of falling prey to several areas of concern. Banks have now had to step up their efforts, but it seems it's not happening fast enough, and the wave will increase in the region as Africa's visibility continues to grow tremendously. Fines levied against financial firms for data breaches, and compliance failures have rocketed over the last year. Research by digital transformation firm Fenergo found that 198 fines were imposed in 2020, 141 per cent up on last year, with penalties totalling $10.4 billion. (Woollacott, 2020). There is a general push by policymakers towards financial inclusion and to get more of the unbanked to come on board.

However, this requires an unprecedented level of trust that cannot be achieved if the risks of this change are not drastically mitigated. According to a report (Purpose-Driven banking: Looking beyond COVID-19) by Accenture, the level of trust in banks remains low. The report, ***Purpose-driven banking: looking beyond COVID-19,*** finds that the common perception is that banks are unable or insufficiently interested in promoting their customers' financial wellbeing (High, 2020).

So, the Covid-19 pandemic allowed Banks to reimagine the way they do business by using digitalisation and innovation to encourage customers to facilitate business through financial institutions. This results in

- Heavier reliance on technology
- More Data acquisition
- An increase in Remote working

"It is time for us to do good, trust is crucial to the business of banking, and in a volatile uncertain world, a world just recovering from the pandemic, consumers, investors, and partners need to find reasons to trust the institutions they do business with."

- Taking more stock of personal data

This also introduces a plethora of risks, which have to be managed and thought through if Ghanaian banks do not wish to fall victim to threats that loom. They have to be proactive about compliance and be ethical in the way they do business, and this brings to the fore the question of how banks should approach business beyond the pandemic.

Beyond the Pandemic

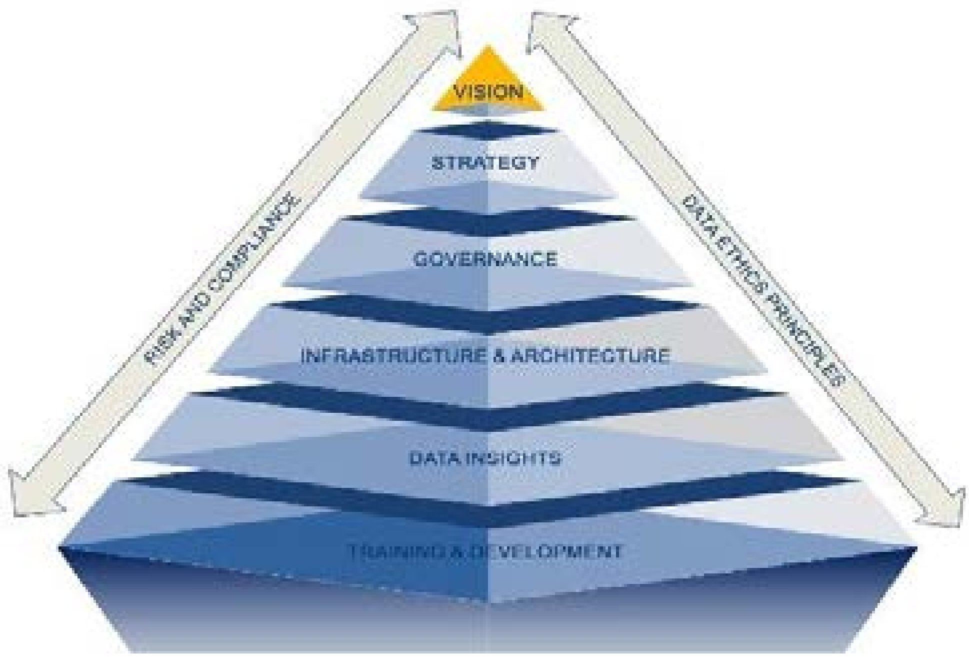
According to key highlights from a 2020 banking survey done by PWC, 62 % of Banks in Ghana favour collaborations with Fintech companies to Leapfrogging up the digital ladder. They intend to migrate from Brick and Mortar to service delivery to more digital channels and are looking to use digital options for things like deposit mobilisation, etc.

In the second report of the CEPR/IESE series on the Future of Banking, a study conducted shows that the banking sector will be under a lot of stress due to high levels of credit losses once large-scale insolvencies arise between corporates and households due to the global economic downturn caused by the covid-19 crisis (Carletti. Claessens, Fatas and Vives)

These factors usually push institutions to act unethically.

However, this provides an opportunity for Banks in their bid to push innovation and digitalisation more aggressively, to rather focus on trust and push to be more ethical and compliant in their approach.

It is time for us to do good, trust is crucial to the business of banking, and in a volatile uncertain world, a world just recovering from the pandemic, consumers, investors, and partners need to find reasons to trust the institutions they do business with. There is a direct correlation between being ethical and building trust, and beyond covid, we need to be ethical with how we do business and engage with Data. Data ethics should go beyond being embedded in the culture of the institution or operations, there has to be a conscious effort to do good. There should be a critical and consistent review of how algorithms are created to access, store, process and protect data. We should ensure fairness, transparency, integrity of the data and prevent biases. We should also ensure that we are constantly thinking about the direct and indirect impact of the data we process and who it affects and go beyond being passive analysts of this impact to active advocates for good. That is how to ensure trust and confidence in what we



do. This will require innovation in thinking about our policies, processes, capacity building and engagements.

To increase confidence, we need to be transparent with not just regulators and auditors, but everyone whose data we engage with. We need to be open about why their data is being used, what it's being used for, and the scope for which it's being used. It is not enough to say we made mistakes or did not anticipate them; we need to move to ensure that we are thinking holistically about the risks. Profit must not be the only driver, but rather a consequence of good data ethics and strong trust.

With the need to partner with Fintech organisations and other players in the digital space, we need to be sure that they incorporate that same level of Data ethics in their way of doing business, and are also doing business for good, setting the precedence for future business as we increase financial inclusion.

Banks need a way of embedding data ethics into their modus operandi, and one way of doing that is through a framework – both for the challenges they face today and those that will emerge tomorrow. This framework will have to address challenges in operations, reputation, regulatory compliance and more.

There needs to be a consistent question being asked, What is ethical when it comes to the consumption and use of data and how do we do better? What outcomes are we trying to achieve, and do they match up with what our customers expect?

In a world where trust is crucial and institutions are viewed with a lot more suspicion, data ethics is now looking beyond the way Data is consumed, analysed, and shared to the way predictions are made.

There must be transparency and clarity on the purpose for which data is requested for KYCs or anything else and it must show clearly the benefit to the customer. Institutions should be able to describe and reproduce mechanisms through which their AI systems make decisions. There must be confidence in the process of interpretation to ensure that technology does not discriminate against any class of people.

So, beyond the pandemic which has pushed the world to a no return drive towards massive digitalisation to reduce costs and improve efficiency whilst maintaining customer trust, amidst the need to stay compliant, ethical, and vigilant against associated risks.

Institutions must be aggressively proactive about;

1. *Staying on top of compliance trends*

i. Conversations around GDPR, and the local counterparts.

ii. Conversations around money laundering, terrorist financing, economic sanctions, and other forms of financial crimes, etc

iii. Learn from other failures in other regions and ensure they safeguard against them.

2. *Ensuring they maintain trust among their customers*

i. Ask the question why when it comes to introducing any process that engages the customer.

ii. Keep asking how we can do better?

iii. Educate customers on how their data is being used and how their privacy is being protected

3. *Staying Ethical*

i. Going beyond profit-making and just staying compliant to ensuring that customers' freedoms to make the right choices are maintained, and customers are getting all the information they require to make those sound choices

4. *Engaging and driving conversations around Data governance and compliance in general*

i. Staying engaged with the rest of the world to ensure that we are on top of issues and trends in the market

ii. Engaging policymakers and regulators on what are possible and how to protect the consumers

iii. Sharing realistic concerns that may have an impact on the reputation of the economy and nation at large

iv. Always exploring ways to do better

In Africa, we need to work twice as hard to not only change the narrative which has in the past not favoured us but to lead the charge when it comes to compliance and ethics, especially regarding digitalisation.

Conclusion

How can the EBII Group help your organisation?

Today's compliance officers are expected to solve for multiple variables simultaneously and the future is no different. In a Deloitte article on "The Future of Regulatory Productivity powered by RegTech," it is stated "The cost of compliance and risk mitigation over the last eight years has jettisoned almost all discretionary funding available to firms. Compared to pre-financial crisis spending levels, operating costs spent on compliance have increased by over 60 per cent for retail and corporate banks."

Banks are faced with increasing pressure and high expectations from regulators and supervisory authorities, to improve the effectiveness and efficiency of their compliance activities and put data and technology to clever use.

There is no doubt that the compliance function is undergoing an operational evolution to keep on top of this new workload, and organisations have been varied in their approaches.

A robust risk management program enables business leaders to better understand their organisations by providing them with the information they need to direct and control their operations, thereby increasing profitability.

Furthermore, achieving compliance enhances confidence and builds the trust of customers and key stakeholders. It also provides firms with a competitive advantage. As a result, both internal and external stakeholders and investors are increasingly focused on directing their dealings with companies with an established compliance record.

At the EBII Group, we offer consultancy, and comprehensive Africa focused bespoke and countrywide risks and compliance training programmes to unlock Africa's investment value. Our training programmes include but are not limited to all aspects of AML/CTF, including blockchain and other key trade finance tech developments in recent times, sanctions, anti-bribery and corruption, fraud, ethics, conduct and culture, governance, data protection and much more whilst considering COVID and BREXIT impact.

The cost of compliance and risk mitigation over the last eight years has jettisoned almost all discretionary funding available to firms. Compared to pre-financial crisis spending levels, operating costs spent on compliance have increased by over 60 per cent for retail and corporate banks.

Our recently launched digital platform- Africa Compliance Hub, also helps organisations to:

- Understand and stay up to date with requirements under the relevant compliance regimes, regulatory updates, news on appropriate high-profile cases, expert content and best practices papers across industries and jurisdictions: this will include financial crime compliance; environmental, social and governance (ESG) risk; regulatory compliance; and much more whilst considering COVID19 implications.

- Several opportunities for staff training and awareness.

- Benchmark the firm's compliance programme and identify critical gaps and solutions.

Finally, the EBII's annual Africa Investment Risks and Compliance Summit, which takes place **on 5th July 2022**, is structured to highlight the potential limitless returns Africa offers for investors and deliver practical solutions to overcoming obstacles standing in the way of unlocking the continent's vast opportunities.

There will be discussions on some of these pertinent issues and more on our panel discussion titled Enterprising Africa - 'technology advancements, which will take place virtually and physically at the 2022 AIRC summit at the InterContinental London - The O2, 1 Waterview Dr. on 5th July 2022.

This panel will look at who the key technology shapers are on the African continent, the role of different organisations in shaping Africa's transformation, and the sort of strategic partnerships that are required to ensure acceleration of the adoption of these technologies on the continent. EBII Group is an Africa-focused compliance and risk management consultancy supported by Oxford University Innovation. The company works closely with Banks and African governments by helping them to strengthen their compliance programmes and regulatory and enforcement programmes. Its mission is to act as a gateway to Africa for investors looking to invest the right way.

The African Investment Risk and Compliance Summit is the only event to bring together high-level key stakeholders to focus on unlocking African investment opportunities through managing compliance and mitigating risk.

The summit offers regulators, policymakers, and banks a platform to share insights and connects potential investors with start-up and scale-up African businesses looking for investment. ☐

Black, White or Grey: Practical Perspectives on Ethics in Cyber Security

Andy Akoto
Partner, Head
Advisory Services

Fabiola Amedo
IT Advisory

"What ought one to do?"

This question posed by Socrates, a Greek philosopher who dates to 470 B.C.,[1] presents us with the element of choice as it posits that there exists a standard of living or code of conduct by which humans were to live and act by.

Ethics refers to a system or a way of life which outlines the good way of living for people and society. According to Socrates, "the most important thing is not life, but the good life."[2] But what is the good life and who determines it? Determining the good life and who lives it rests in the power and intention behind our daily choices as people, and how these choices impact our lives and society at large.

The cyber realm is a bottomless pit; with no limitations to its boundaries and its depths are still unknown. Virtualisation and artificial intelligence extend our reality beyond the physical realm where several ethical principles and codes of conduct can be equally applied. Our lives have moved online as we make purchases, entertain ourselves and interact with people without moving around. We witnessed this with Covid-19 and there is more to come with the introduction of the metaverse.

Each mouse click on a website link, every social media post, like or retweet requires some element of decision making. Furthermore, making an ethical decision could feel like running the gauntlet especially when the masses are opposed. Imagine receiving looks of disapproval from colleagues after alerting Management that staff have found ways to bypass filtering controls to access restricted websites during working hours.

Ethics In Cyber Security

The need to emphasise ethics in technical education is understandable, more so, for a field such as Cyber Security, as the cyber realm is a more accessible space for threat actors to easily operate.

Also, technology continues to shape the course of our lives, considering the development of software to facilitate digital payments, healthcare delivery, food production and environmental conservation.

In 2014, organisations such as the IEEE (Institute for Electrical and Electronics Engineers), the largest technical professional organisation, began hosting its own international conferences on ethics in engineering, science and technology. The organisation has also been contributing to the development of new ethical standards in emerging areas such as Data Management, Artificial Intelligence (AI) and Robotics.[3]

But whose responsibility is it to promote an ethical playing field in the cyber space? Responsibility spans across different roles and

levels of society. Let us consider three groups:

1. ***The Cyber Security Professional:***

   Cyber Security professionals are specialists charged with the responsibility of securing the cyber space for their organisations and the public and thwarting the exploits of cyber criminals.

2. ***The Layperson:***

   Laypeople are individuals or groups who do not have the technical expertise in Cyber Security or give much consideration to the technical requirements for securing the cyberspace. However, a subset of this group may be educated on the risks and threats that they could face in the cyberspace.

3. ***The State:***

   The third group is made up of state-owned regulatory bodies or authorities and their representatives who have the mandate to enact laws, regulations or directives to guide the usage of technological resources in the cyber space.

> **"Grey hats could be easily swayed to the realm of black hats if their efforts and skills to discover vulnerabilities are not appreciated by the leadership of the organisations that they approach."**

Dilemmas Of Cyber Security Professionals

The act of hacking is considered a crime depending on the intention of the person or group performing the act. The measure of ethics that a Cyber Security professional has is determined by the colour of the hat that they wear. There are white hat hackers who are considered "Ethical hackers".

These are individuals or groups who are contracted and have the consent of organisations they are helping to identify their vulnerabilities in a bid to improve the organisation's overall security posture. Black hat hackers on the extreme end, are pure criminal masterminds who infiltrate systems without consent or authorisation mainly for the purpose of causing damage, stealing funds or causing outright denial of service.

In between the black and white hats, are grey hats who are neither good nor bad. They operate as black hats by not seeking the permission of the organisation to identify and exploit flaws but rather report their discovery to the companies for fixes to be applied like a white hat, but sometimes for a fee. In some cases, they disclose weaknesses to create awareness so that the public do not fall prey to the schemes of black hats. Despite the violations they engage in, grey hats contribute to creating a more secure cyberspace.

A grey hat however could be faced with the dilemma of exploiting the vulnerability they identified for their benefit without reporting to the affected companies especially where the financial gains are massive. Grey hats could be easily swayed to the realm of black hats if their efforts and skills to discover vulnerabilities are not appreciated by the leadership of the organisations that they approach.

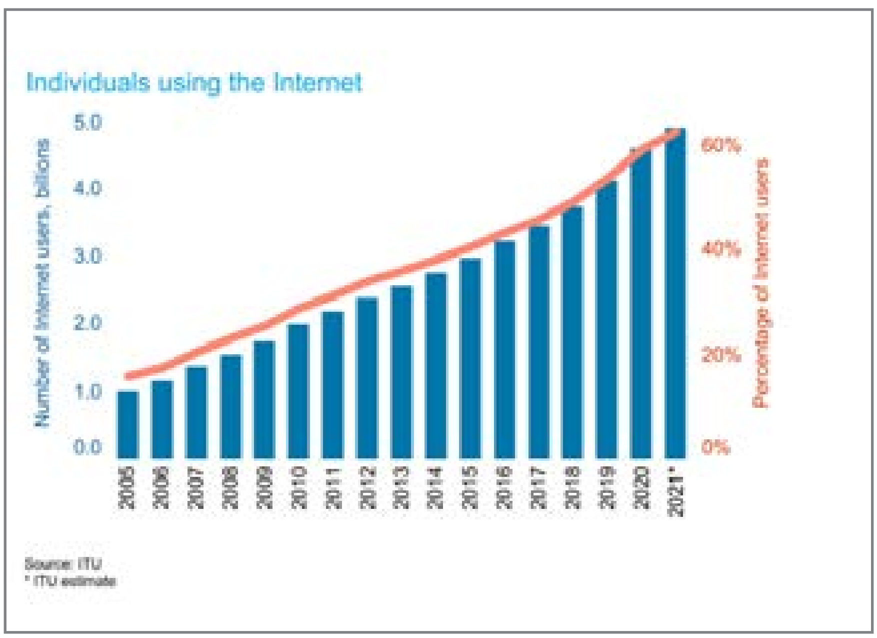
White hats or ethical hackers, play a key role in enterprise risk management especially those who work in the Cyber Security department. Nevertheless, they are faced with several ethical dilemmas as personal interests may be put ahead of the organisation's.

For instance, in Ghana, the Central Bank issued a directive which mandates all financial institutions to report security incidents by filing returns each month. To bypass questioning by Management or follow up investigations by authorities, a CISO (Chief Information Security Officer) could decide not to report a hack which involved an insider accessing administrative credentials to connect to the organisation's critical systems due to a security configuration that a cyber security engineer forgot to implement.

Imagine a situation where a CISO, due to the rising pressure to meet KPIs or present a better picture on vulnerabilities to Executive Management, decides to engage boutique firms with low ethical standards. Critical observations which ought to be brought to the attention of Executive Management, could be swept under the rug due to the CISO influencing the consultants to take out such findings from their report, in a bid to protect his or her reputation.

Or consider the case of a cyber security engineer who is expected to oversee the implementation of multi-factor authentication for all users including administrators of systems. To make accessing systems easier for them, the cyber security engineer could decide not to apply the control to his/her user account to make it easier for them to login. Such behaviour undermines the overall objective of implementing such security controls in the first place.

Also, imagine a CISO who plans to hire a highly talented penetration tester to complement his or her team as their organisation has been targeted in series of attacks. However, the tester's ethics and dedication are questionable as he/she previously operated as a grey hat who did not seek consent from organisations before breaking into their systems and charged for disclosures. The CISO could be in a dilemma about hiring this person to beef up the capability of his or her team, while fearing that this person could pose an insider threat.[3]



Dilemmas Of Laypeople

The cyber realm is increasingly becoming much less of unchartered territory for people across the globe. The continuous proliferation of technological devices and various international initiatives such as the United Nations (UN) Sustainable Development Goal (SDG) 9 which calls on states to "build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation" 4 has contributed to the heightened growth of internet users since 2015, when the SDGs were published.

At the end of 2021, the world's population of internet users stood at an estimated 4.9 billion users representing 63% of the world's population according to the International Telecommunication Union (ITU), a UN specialised agency. This statistic has improved significantly from 2015 where an estimated 3 billion people in the world (41% of the

global population) used the internet.[5]

Mobile device adoption has also been a major contributor to this growth. The Global System for Mobile Communications Association (GSMA) 2022 report highlights increased growth in operator revenues and investments in the mobile economy of about $1.08 trillion in 2021; attributed to the consumer shift to digital during the Covid-19 pandemic.6 Dot-com companies such as Amazon and ByteDance, the owners of TikTok, experienced a boost in sales and content creation respectively during this period.[7]

The unstoppable growth of mobile device adoption and internet usage creates numerous ethical dilemmas in the cyberspace for laypeople. Some categories of laypeople typically faced with ethical dilemmas include the following:

The Plagiarist-Influencer

Take for instance the case of an influencer on social media platforms who wishes to grow his or her following by increasing interactions on social media. This influencer decides to share their thoughts on a trending topic by plagiarising the work or post of the actual author.

Before posting, the influencer could have decided to cite the source of the information but chose not to. Plagiarism is very common in educational circles but has even been more amplified due to social networking sites.

The Illegal Downloader

There are about 230 billion views a year for pirated video material.[8]

This includes the download and streaming of movies from illegal websites as well as major sporting events. Throwing music into the mix increases this figure by far. You may be smiling because you have either been a culprit or a beneficiary by receiving illegally downloaded movies or sharing illegal links for a live sports event, movies, etc. Telegram's user base is also growing by the day as more users are realising the possibility of using the platform to download movies illegally. As harmless as it may seem, the illegal download of movies is tantamount to piracy, copyright infringement and theft in several jurisdictions. Furthermore, it contributes to losses for companies producing the content. Apart from illegally accessing or reproducing work that is not yours, one may be exposed to malware that black hat hackers could use to exfiltrate sensitive personal data or banking details from your device.

> There are about
> **230 billion**
> views a year for pirated video material

The Crack Software User

The costs of maintaining software licences could tempt users to opt for crack versions.

Crack software refers mainly to illegally re-engineered versions of commercial software that enable users to bypass licence requirements or authorisation to use the software for free. If you dig deep enough on the web, you will find that there are several crack versions of every day software tools such as Microsoft 365, Adobe Photoshop among others. In some cases, IT professionals who are aware of the availability of such crack software are the usual perpetrators who hand the software down to laypeople for use. The use of crack software violates the intellectual property rights of the creators and causes the owners of the actual software to lose revenue.

Furthermore, using crack software exposes its users to several cyber security risks, such as malware infestation and remote access to users' systems by black hats who use such malware to spy on people and steal personal and financial information.

The Fake News Distributor

For several laypeople, ethics in the cyber space may appear to have no discernible impact on the "good life" for them and others. However, there are far-reaching outcomes especially in the case of fake news, a plague in this digital age. Crafty persons on the internet and social media usually generate and distribute fake stories to achieve various personal, social or political objectives. Laypeople contribute to the spread without fact-checking and distributing these stories especially via Whatsapp.

Deep fakes, which are digitally altered images or videos of people used to create fake content, are a more advanced means through which fake news is spread in recent times. Influential people such as Barack Obama and Mark Zuckerberg have been victims of deep fakes in which the latter was purported to have said that he had "total control of billions of people's stolen data."[9]

> The ethical use of the cyberspace boils down to individuals' objectives and interests. However, we need to consider how our choices lead to the greatest possible good for the greatest number of people.

The Glitch Exploiter

In 2017, an Indian-based digital wallet firm, MobiKwik suffered losses of about Rs 19.61 crore (approximately 2.5 million USD) from a glitch in its online payment system. The company's corporate account was debited instead of customers' accounts while they paid bills or shopped. Numerous customers benefited from this glitch as they did not bear the cost of their transactions.10 Consider the case of the controversial e-levy in Ghana. Imagine that you detect a glitch whereby you are either charged no e-levy or are charged a fee lower than the expected 1.5% for a transfer you made above 100 Ghana cedis. Would you be the person who reports the glitch to the Ghana Revenue Authority (GRA)?

What ought one to do?

Dilemmas Of The State

Edward Snowden was one of the most headlined personalities of 2013.

As an IT Systems specialist working for the U.S. National Security Agency (NSA), Snowden leaked classified information about the U.S. government's surveillance activities which invaded the privacy of U.S. citizens. To many, Snowden was a whistleblower; but to the U.S. government, he was a traitor who had made classified information available to the country's adversaries. Snowden's revelation

of data privacy violations by the U.S. government brought to the fore, tough conversations on privacy which led to law reforms through the enactment of the U.S.A. Freedom Act, meant to stop the bulk collection of Americans' phone records and other personal data. [11]

The U.S. government felt justified in spying on Americans to identify potential threats to national security. However, at the same time, it led to the invasion of citizens' privacy en masse, which raises ethical concerns about surveillance practices. This case study of Snowden's revelations leaves us wondering to what extent governments must go to protect citizens. In several cases, there are legal requirements and detailed processes justifying the purpose for such surveillance.

For instance, in Ghana's Cybersecurity Act 2020, it is indicated in section 71 and 72 that an authorised investigative officer could apply to the High Court for the interception of traffic data to aid in criminal investigations and that the Court may grant the application for an interception warrant once it is satisfied with measures that enforce confidentiality and maintain the privacy of persons and organisations who are not the subject of the investigation.

Section 87 of the Act also highlights the power of the Cyber Security Authority to authorise service providers to block, filter or take down illegal content which undermines the cyber security of the country.

State-sponsored cyber espionage and cyberwarfare has also raised concerns around the ethical use of technology for governments since it could lead to fatalities.

The Russia-Ukraine war presents us with a recent example. After the Russian invasion of Ukraine in late February 2022, it was reported that Russian hackers caused massive communication disruptions which affected Ukrainian government agencies, media firms and nuclear power companies.[12]

The hybrid attack approach (physical and cyber warfare) adopted by Russia, has significantly increased Russia's attack surface, leading to more destruction. For instance, on March 1st, 2022, it was reported that a missile strike against Kyiv's TV tower by Russian forces, coincided with destructive cyber-attacks on Kyiv media. Sadly, five (5) people lost their lives.[13]

The ethical use of the cyberspace boils down to individuals' objectives and interests. However, we need to consider how our choices lead to the greatest possible good for the greatest number of people.

Next Steps: Engagement And Introspection

It goes without saying that the ethical use of technology and the cyber space is dependent on the positioning of an individual's moral compass. Furthermore, creating an ethical playing field in the cyberspace is not just the responsibility of Cybersecurity professionals or the State, it also rests on the shoulders of laypeople involved in everyday activities in the cyberspace.

There are laws, directives, policies and numerous courses on ethics developed with the intention of transforming the minds of people to make choices that promote "the good life" for them and others; yet these do not stop bad actors from executing their plans in the cyberspace.

Cyber Security Professionals, States and Laypeople all have roles to play in ensuring that the cyberspace thrives and delivers optimal value for the greater good of humanity.

However, this cannot be achieved without the concerted efforts of these three groups. In Ghana, a lot of education and sensitisation is required on Cyber Security laws and regulations such as the Cyber Security Act which define baselines for acceptable behaviour within the cyberspace. Public education through television, radio, public fora, and discourse are all suitable platforms that should be used to communicate the importance of the ethical use of the cyberspace. Getting our moral compasses to find their true north requires us to renew our minds and perform the needed introspection while making choices in the cyberspace; leading us back to Socrates' question - "What ought one to do?"

> "Cyber Security Professionals, States and Laypeople all have roles to play in ensuring that the cyberspace thrives and delivers optimal value for the greater good of humanity."

References

1. https://www.britannica.com/biography/Socrates
2. Plato, Crito 48b Retrieved from: https://www.oxfordreference.com/view/10.1093/acref/9780191843730.001.0001/q-oro-ed5-00010264
3. Vallor, S., Rewak, J. W. (2018) An Introduction to Cybersecurity Ethics. Retrieved from: https://www.scu.edu/media/ethics-center/technology-ethics/IntroToCybersecurityEthics.pdf
4. United Nations (2015) Sustainable Development Goal 9: Investing in ICT access and quality education to promote lasting peace. Retrieved from: https://www.un.org/sustainabledevelopment/blog/2017/06/sustainable-development-goal-9-investing-in-ict-access-and-quality-education-to-promote-lasting-peace/
5. International Telecommunication Union (2021) Retrieved from: https://www.itu.int/en/ITU-D/Statistics/Pages/stat/default.aspx
6. GSMA (2022) The Mobile Economy 2022. Retrieved from: https://www.gsma.com/mobileeconomy/wp-content/uploads/2022/02/280222-The-Mobile-Economy-2022.pdf
7. Clapp, Rob (2021) https://www.warc.com/newsandopinion/opinion/covid-19-causes-digital-consumption-to-rise-by-over-30-forming-new-and-lasting-consumer-habits/en-gb/4209
8. https://dataprot.net/statistics/piracy-statistics/
9. Sample, Ian (2020) What are deepfakes - and how you can stop them. The Guardian Retrieved from: https://www.theguardian.com/technology/2020/jan/13/what-are-deepfakes-and-how-can-you-spot-them
10. Yadav, Sanjay (2017) Technical glitch costs digital wallet firm Rs 19 crore Times of India. Retrieved from: https://timesofindia.indiatimes.com/city/gurgaon/technical-glitch-costs-digital-wallet-firm-rs-19-crore/articleshow/60876053.cms
11. Siddiqui, Sabrina (2015) Congress passes NSA surveillance reform in vindication for Snowden The Guardian. https://www.theguardian.com/us-news/2015/jun/02/congress-surveillance-reform-edward-snowden
12. Pearson, J., Bing, C. (2022) The cyber war between Ukraine and Russia: An overview Reuters. https://www.reuters.com/world/europe/factbox-the-cyber-war-between-ukraine-russia-2022-05-10/
13. DW Retrieved from: https://www.dw.com/en/ukraine-says-5-dead-after-russian-missile-hit-kyiv-tv-tower-as-it-happened/a-60954234


KPMG
Making every step sustainable
We can help you embed ESG across your organisation, starting with a robust governance model. Which means you can drive growth as you move your business forward. Because how you grow matters.
KPMG, Marlin House
13 Yiyiwa drive, Abelemkpe
P. O. Box GP 242
Accra, Ghana
Tel: +233 (0)302 770454
Website: www.kpmg.com/gh
in
kpmg.com/social media
© 2022 KPMG, a partnership established under Ghanaian law and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved. Printed in Ghana. The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organisation.

Banking Ethics in the Era of Digital Evolution

Dr. Joseph France
Head of Financial Stability Department of Bank of Ghana

Ethics generally refers to the way individuals and groups relate to, threat, and resolve issues with each other. The Oxford Dictionary defines Ethics as "Moral Principles governing behaviours or the conduct of an activity. Ethic has also been defined as "Moral Philosophy, System or Theory of Moral Values or Principles, Discipline concerned with what is morally good and bad and morally right and wrong"- *(source: Britannica.com).*

Ethics has its roots in moral values from the origin of humanity and religion. Over the ages, we learn about the "Code of Hammurabi;" the "Ten Commandments;" "Protagoras by Pluto - Moral Sense and capacity for Law and Justice;" the "Sermons on the mountain by Jesus Christ;" the "Last Sermon on Mount Arafat by the Prophet of Islam; and a host of other codes enunciated by various Sages to Humans in different generations.
Ethics addresses issues like, how should we Co-exist? What should be our Values? What should be our standards? What are the fundamental principles that guide our decision-making? Etcetera, which are consistent with Social Norms or even Higher Standards.
Ethics is about Morals, Integrity, Principles, Honesty, Right, Fairness, Responsibility, Conscience, Choice, Honour, and Value (Santa Clara University, Leavey School of Business)
Ethics also refers to standards and practices that tell how human beings ought to act in the many situations in which they find themselves—as friends, as parents, as children, as citizens, as businesspeople, as professionals, and so on. Ethics is also concerned with our character and requires knowledge, skills, and habits.

Digital Ethics encompasses how users and participants in online environments interact with each other, and the technologies and platforms used to engage.

The Digital Evolution

The act of computing and digitalisation, over the years have evolved rapidly and somewhat exponentially in the last three years.
From the origination of the concept of "programmable computer - regarded as the first computer" which was invented by Charles Babbage (an English mechanical engineer and polymath) in the early 19th Century, the Computer as a device and an enabling tool has witnessed tremendous transformation.
Digital Computers were used by the US Navy in 1938, and the "the Colossus" was used during the World War II in 1943. The development of the Electronic Numerical Integrator and Computer (ENIAC) or the "Turing – Complete Device," the development of Transistors (MOSFET) and the Integrated Circuits (ICs) ushered in a major revolution

"... the Smart Phones and Tablets run on a variety of Operating Systems and have recently become the dominant computing devices on the market."

the developments of Modern Computers. This laid the foundation for Mobile Computers (Osborne 1, Compaq, and Grid Compass), and the eventual introduction of Mobile Phones in the early 2000s.

Today, the Smart Phones and Tablets run on a variety of Operating Systems and have recently become the dominant computing devices on the market.

These devices are powered by Systems on Chips (SOCs), which are complete computers on a microchip, the size of a coin.
Digital Evolution has been variously described as - "the adoption of new technologies and services to improve business efficiency, reduce costs or increase capacity" OR "the adoption of digital technology to transform Services or Businesses through replacing non-digital or manual processes with digital processes or replacing older digital technologies with a new digital technology."

Digitisation has been around for over 50 years. However, in the last three (3) years, we have seen technology moved at a pace that can described as rapid and transformational. Today, we have seen tremendous acceleration in digitalisation in many aspects of our daily lives, thanks in part, to the Covid-19 Global Pandemic.

The way people have adapted to work through the Covid-19 critical times will have a lasting impact on how we approach the future of work ("the new normal").
Looking at the last three (3) years or so, it is evident that some of the changes that companies made to business models to meet the challenges of the pandemic were likely already tabled for development and implementation as a "natural progression", but Covid-19 disrupted "business as usual", and accelerated investments in digitalisation.
The good news, however, is that technology can change the economics of a business. This is evident in the way "Online Banking" has changed the nature of bank branches (especially cost/revenue profile) and "Online Shopping," in the retail/consumer businesses. Indeed, technology is also changing the culture and processes in most organisations (Alan Jacobson,2021).

The world's most valuable resource today is no longer Oil but Data (The Economist, 2017). It had earlier been described as a "New Soil" (David McCandless, 2010). And this data can be generated by both people and devices. In recent years, the number of individuals connected to the internet has increased astronomically. In 2014 for instance, the number of active mobile devices crossed over the number of human beings in the World reaching a total of 7.19 billion Smart Phones. In 2020, there were more than 10.3 billion Cellular Connected devices in the World (GSMA Intelligence report, 2020).

Indeed, the advent of the "Digital Era" and the exponential growth in the computing capacity of modern machines, has seen the number of transistors in microprocessor circuits doubled every two years (Moore, 1965). Data Analytics and recently, Artificial Intelligence ("AI") have found space to transform complex procedures into something that can be done much faster or even automatically. AI is not new. As far back as 1950, Alan Turing had proposed the Turing Test, and in that same year Isaac Asimov published the three (3) Robotic Laws.

More than ever before, the financial industry has witnessed an increase in adoption of digitalisation, especially with the entrant of Telecommunication Companies and Fintech Companies into the Financial Services space and bringing along with them, a new vista in the adoption of AIs and APIs in the design and deployment of varieties of new products and solutions in the Banking Services space.

In terms of opportunities, AI's incredible precision, accuracy, and speed in completing tasks could take the place of humans in repetitive and tedious duties in difficult environments, even in dangerous or hostile ones. AI is also a tool that can help us to "convert information to knowledge," being able to analyse an extensive volume of data, image recognition, recognition of malformation from body scans or recognition of mass-produced defects in an automated industry, and a wide range of other areas of applications, with the objective mostly being increased revenue and profit (or performance optimisation).

Indeed, the ambition of AI research is to make machines perform human-like tasks and humanise matter even to the level of reductive physicalism.
The above, amongst others, underscores the need to for humanity to look beyond the performance optimisation motives to also consider the issues of Ethical Standards in connection therewith.

Some of the risks that have been identified to be associated with the adoption of AIs include the followings:

Floridi further averred that "digital ethical governance is a matter of design and governments, above all, has the hard responsibility to design what kind of Society we want through Data Protection Regulations, etc. to address areas of diversity (such as gender, class, ethnicity, discipline, and other pertinent dimensions) in order to increase inclusivity, tolerance and the richness of ideas and perspectives.

Privacy is another big issue. Today, Facebook, Amazon, Google, and other Big Tech Companies, use AI algorithms to keep collecting people's personal information and related data to navigate specifically our data cookies. There is therefore the urgent need for the AI industry to make significant structural and technological changes to address systemic discrimination in terms of racism, misogyny, and lack of diversity.

• Labour Displacements,	• Lack of AI Implementation Traceability.
• AI Oligopolies,	• Introducing Program Bias into Decision Making.
• Surveillance	• Data Sourcing and Violation of Personal Privacy.
• Control	• Black Box Algorithms and Lack of Transparency.
• Discrimination, and	• Unclear Legal Responsibility.

According to Luciano Floridi (2019), AI when misused or overused can have the following negative effects:

- Devaluation of Human Skills
- Removing human responsibility
- Reducing human control
- Eroding human Self-determination

Also, in our today's world, how we manage ourselves ethically, professionally, and do business in a sound manner via online and digital medium have become a big issue, especially in the banking industry as banks churn out various types of products and services to delight their customers.

Digital Ethics and Privacy issues are also growing, especially around permission to collect and store data about users, permission to use, disclose or sell any personal data that has been stored, users' rights to request that data about them be deleted, users' rights access to their personal data that have been collected and stored, and a host of other emerging issues.

In trying to deal with Ethical issues emanating from Digitalisation, many frameworks, guidelines, and principals have been developed by both governmental and non-governmental organisations such as OECD, European Commission (published in 2019 the European Commission's Ethics Guidelines for Trustworthy AI) and the Beijing Academy of AI (Ministry of Science and Technology, China).

Over the past couple of years, the World Economic Forum (September 2021) has been working with a multi-stakeholder group to advance ethical practices in technology development under a project titled "Responsible Use of Technology". This group has identified a need to highlight and share best practices in the responsible design, development, deployment, and use of technology. They have identified IBM as being well underway on its mission to develop and advance Ethical AI Technology. Lessons from the IBM model include:

1. Trusting your employees to think and act ethically,
2. Operationalising values and principles on AI ethics,
3. Aiming for broad impact on AI ethics.

IBM is a founding member of several multi-stakeholders' organisations, including the Partnership on AI to Benefit People and Society (2017) and the Vatican's "Rome Call for AI Ethics" (2020). IBM also works on many World Economic Forum initiatives related to AI ethics, including the Global Future Council on AI for Humanity, the Global AI Council, and the Global AI Action Alliance.

Besides these institutional partnerships, individual IBM employees are also involved in the IEEE's Ethics in Action Initiative, the Future of Life Institute, the AAAI/ACM AI, Ethics, and Society conference, and the ITU AI for Good Global Summit.

Also, Microsoft had earlier been identified by the World Economic Forum as contributing to Ethical Technology development. Microsoft had proposed responsible principles in practice to include the followings:

- **Fairness:** That AI Systems should treat all people fairly.
- **Reliability and Safety:** That AI Systems should perform reliably and safely.
- **Privacy and Security:** That AI Systems should be secured and respect privacy.
- **Inclusiveness:** That AI Systems should empower everyone and engage people.
- **Transparency:** That AI Systems should be understandable
- **Accountability:** That people should be accountable for AI Systems.

The Markkula Center for Applied Ethics, Santa Clara University is also in the forefront of digital ethics. They have developed a Framework for Ethical Decision-Making in AI technology development. They have suggested a variety of different lenses that help perceive ethical dimensions and these are:

- **The Rights Lens:** It is suggested that the ethical action is the one that best protects and respects the moral rights of those affected. This approach starts from the belief that humans have a dignity based on their human nature perse or on their ability to choose freely what they do with their lives. On the basis of such dignity, they have a right to be treated as ends in themselves and not merely as means to other ends.

- **The Justice Lens:** Justice is the idea that each person should be given their due, and what people are due is often interpreted as fair or equal treatment. Equal treatment implies that people should be treated as equals according to some defensible standard such as merit or need, but not necessarily that everyone should be treated in the exact same way in every respect.

- **The Utilitarian Lens:** Some ethicists begin by asking, “How will this action impact everyone affected?”—emphasising the consequences of our actions. Utilitarianism, a results-based approach, says that the ethical action is the one that produces the greatest balance of good over harm for as many stakeholders as possible, the one that produces the greatest good and does the least harm for all who are affected—customers, employees, shareholders, the community, and the environment. Cost/benefit analysis is another consequentialist approach.

- **The Virtue Lens:** A very ancient approach to ethics argues that ethical actions ought to be consistent with certain ideal virtues that provide for the full development of our humanity. These virtues are dispositions and habits that enable us to act according to the highest potential of our character and on behalf of values like truth and beauty. Honesty, courage, compassion, generosity, tolerance, love, fidelity, integrity, fairness, self-control, and prudence are all examples of virtues. Virtue ethics asks of any action, “What kind of person will I become if I do this?” or “Is this action consistent with my acting at my best?”

- **The Common Good Lens:** According to the common good approach, life in community is a good in itself and our actions should contribute to that life. This approach suggests that the interlocking relationships of society are the basis of ethical reasoning and that respect and compassion for all others—especially the vulnerable—are requirements of such reasoning. This approach also calls attention to the common conditions that are important to the welfare of everyone—such as clean air and water, a system of laws, effective police and fire departments, health care, a public educational system, or even public recreational areas. The common good lens highlights mutual concern for the shared interests of all members of a community.

- **The Care Ethics Lens:** Care ethics is rooted in relationships and in the need to listen and respond to individuals in their specific circumstances, rather than merely following rules or calculating utility. It privileges the flourishing of embodied individuals in their relationships and values interdependence, not just independence. It relies on empathy to gain a deep appreciation of the interest, feelings, and viewpoints of each stakeholder, employing care, kindness, compassion, generosity, and a concern for others to resolve ethical conflicts. Care ethics holds that options for resolution must account for the relationships, concerns, and feelings of all stakeholders.

Algorithm developments should be robustly discussed to ensure that functioning will comply with the ethical frameworks and guidelines. This implies technological, organisational, and theoretical challenges and the fact that Society is implicitly demanding the improvement in explainability and interpretability of AIs (Pastor Escuredo and Del Alamo, 2020).

In conclusion, Artificial Intelligence (AI) today cannot be said to be truly morally and ethically intelligent. Studies have shown that

Ethical problems that arise from AIs are innumerable.

It is therefore, recommended that whether you are digital developer, user, politician, etc., we should rely on existing/available ethical frameworks like the Beijing AI Principles and the European Commission's Ethics Guidelines for Trustworthy AIs, to build a structure that encourages consciousness of the possible ethical issues that may arise from our actions or inactions in dealing with digital assets, thus being able to avoid them, and as well, protect everyone's human rights in the process.

Organisations (banks inclusive), and indeed, government/regulators should also leverage on these frameworks to create a set of new laws/guidelines in order to regulate, guide behaviours and discipline in this rapidly evolving digital space, with the view to ultimately achieving convergence at both national and on a global level.

There is also need the for improvement in the enforcement of the Data Protection Regulations by government and the regulatory agencies in line with their statutory mandates, review of obsolete regulations and enunciation of new ones to keep pace with the rapid evolution in the digital space, as well as providing a level playing ground for ICT/Digital Innovations. Indeed, the protection of both Business and Personal information/data, as well as the regulation of Data Controllers and Data Processors cannot be overemphasised.

Government and indeed, private Organisations (banks inclusive) should do more interventions in the digital space, by partnering to provide more digital education in the society.

The Chief Information Security Officers (CISOs) and Directors of Cyber and Information Security (DCIS) of banks should be empowered not only to check security of systems, platforms, and applications, but also to check the Ethical issues therefrom, in the process of assessment, acquisition, deployment and use of digital assets of banks.

On a general note, issues around Ethics have major financial impacts for organisations and individuals. "Bad things do happen even with the best of intentions." So long as there are human beings, there will be imperfection and something or somewhere that needs to be guarded or guided. Unethical behavior is something that can creep into an organisation and cause major disasters if ethical principles are not properly embedded.

Typical Ethical Values will include principles like Zero discrimination, Fairness, Respect, Responsibility, Accountability, and Integrity.

Incorporating Ethics into everything we do is important due to the fact that:

i. Unethical corporate governance results in corporate disasters and economic liabilities.

ii. Establishment of policies and mechanisms for monitoring unethical behaviours and other corrupt practices in the organisation mitigates the adverse effects on the company and promotes good ethical conduct and stakeholders' confidence.

iii. Establishment of professional, business, and ethical standards underscores the values for the protection and enhancement of the reputation of the company and promotes good conduct and investors' confidence.

iv. Recognising that Ethics is central to earning stakeholders' confidence (both domestic and foreign) and this is essential for business growth and sustainability.

Banks are therefore encouraged, more than ever before, to generally incorporate and embed ethics into their corporate structure through the following:

- **Setting the tone at the top and leading from the Board.** The board must of necessity initiate and abide by the code of ethics of the organisation.

- **Corporate Value Exercise:** The Ethical values must be organisation-wide (or Enterprise-wide), visible, known and owned across the length and breadth of the organisation.

- **Code of Ethics:** There must be clear codes of Ethics that sets out the principles governing decision-making and behaviours in the organisation.

- **Code of Conduct:** The rules governing specific behaviours such as harassment, jerking, conflict of interest confidentiality of information, etc. should be clearly documented and reconfirmed annually. This, however, can be merged with the Code of Ethics.

- **Disclosure and accountability mechanism:** Banks should clearly define disclosure requirements in line with regulatory requirements, internal polices and best practice, at all levels, especially at Board and Committee levels.

- **Policies:** There should be clear policies around whistleblowing & implementation mechanism, insider-trading, conflict of interest, sanctions, and procedures, etc.

- **Ethics Officer and Ethics Committee/Sanction Committees:** As part of the embedment process and in order to give more impetus, banks should consider appointing Ethics Officers and Ethics Committees/Sanction Committees.

- **Annual Ethics Refreshers:** There should also be annual Training/Courses on Ethics for all staff, management, and Board members.

- **Board Evaluation:** There should be annual Board Evaluation which should include evaluation against the code of ethics of the organisation. In addition to their traditional role of oversight and control, entrepreneurial and strategic leadership, the role of the Board should include promoting ethical culture and responsible corporate citizenship. □


GhanaPay
Alandi!
Your all-in-one mobile wallet.
GhanaPay
Dial *707#
or download GhanaPay on
Available on the Google Play
Download on the App Store
GhIPSS
GAB GHANA ASSOCIATION OF BANKS
Toll-free: 0800-000-707
GhanaPay
Your money, your way

Ethics vis-à-vis Digitisation

Lauraine Mercy Ewurama Ghartey
Ghartey & Ghartey Law Firm

An explosion of ones and zeros has taken place. Some call this the "Digital Revolution!" Many corporate entities have been in denial about this digital revolution. Thus, despite the change, various corporate entities continue to rely on creating "paper trails," physical meetings, cash transactions, and the like. Due to the lessons learned from the Covid-19 pandemic, modern technology has become highly prevalent in the last few years. Almost all businesses have moved to digital platforms where they can maximise output and profit. This move has been remarkably successful.

However, one primary concern is how to maintain ethical standards in the digital space. Ethical behaviours are required of all and sundry in any corporate entity. Business ethics refers to moral and legal standards that businesses must follow. These rules usually affect how employees and customers engage with a company—in other words, workplace ethics govern how companies serve customers and relate with their employees. When work is attended to in person, it is easier to ensure that ethical standards are adhered to. However, it is a whole different ball game when the corporation as an entity has to ensure a high moral code by monitoring its digital activities. Who is responsible for ensuring the ethical conduct of the users of digital platforms? What are the standards for ethical behaviours in this new era of digitisation? What are the sanctions for failing these standards? What practical steps can an entity take to prevent unethical practices in the digital space? All these pertinent questions deserve some answers.

The Advent of Digitisation

Looking back at the beginning of digitisation to answer these concerns adequately is essential. "From the 1950s on, with a significant bounce in the 1990s due to the introduction of the Web, digitisation has altered the way we work, shop, trade, travel, learn, govern, manage our health, and enjoy life," writes Gil Press in his Forbes article, "A very short history of Digitisation." Though digitisation has been around for more than a decade, the paradigm change is currently happening at a breakneck speed, and it is safe to conclude that digitisation is here to stay.

Ethical Leadership

One standard of measuring whether a corporation is ethically sound is by monitoring the conduct of employees. Apart from these employees, individuals in positions of authority must conduct themselves ethically on a regular and consistent basis. Employers, by their ethical conduct, inspire employees to follow suit. Customers are more likely to conduct business with organisations widely thought to have a strong proclivity for ethical behaviour. Customers become more loyal when they witness and experience ethical leadership, which positively impacts the employees and ripple effect on the quality of goods and services businesses provide. The banking landscape in Ghana, for instance, is arguably highly competitive; thus, remaining in the "good books" of clients is a crucial growth factor.

According to Albert Schweitzer, "The most important ways to lead people are by example, by example, and by example," The ethical behaviour of an institution originates from the ethical conduct of the institution's leadership. When subordinates' unethical behaviours, ethical leadership demands that they are sanctioned accordingly. Employees will have no choice but to be "ethics-conscious" once the leaders have shown the way, which is vital in this new digital revolution.

Obeying Superiors

It is worthy to note that employers cannot use the defence of obeying their superiors to justify unethical conduct.
In the recent case of George Akpass Vs. Ghana Commercial Bank Ltd. [2021] DLSC1076, presided over by Yeboah CJ, the honourable court made it clear that the defence of obeying superior order is a weak defence. Though the appellant claimed to have undertaken some acts based on the instructions of his branch manager, the respondent disputed this assertion and insisted that the appellant, apart from perpetuating fraud, failed to comply with the staff responsibilities as set out in his appointment letter, bank's books of instructions, service rules, circulars, policy guidelines and the Collective Bargaining Agreement (CBA). In the said case, the honourable court stated that sometimes, the said defence of obeying the orders of a superior, depending on the case's particular facts, will not inure to the benefit of any officer working under superiors. The honourable court additionally stated that;

"If, while obeying superior orders, the appellant had been made a 'sacrificial lamb' and victimised with disproportionate punishment, that would have been the price to pay for opting to follow mortal man rather than the code of ethos carved out to shape the work ethics and ensure smooth functioning of the bank."

Luckily for the appellant, his prayer for reinstatement was granted, and the dismissal was said to be unfair based on other factors in the case.

Similarly, in the case of Yaokumah Vs. The Republic [1976] 2 GLR 147, a major in the Army, drove a military vehicle to the Ghana-Togo border and loaded uncustomed

"The most important ways to lead people are by example, by example, and by example."

Albert Schweitzer

goods headed for Accra. He was apprehended at a checkpoint and arrested. At his trial, he pleaded the defence of superior orders. On appeal to the Court of Appeal, Amissah JA stated the legal position in the following words:

"This, in effect, amounts to a defence of superior orders. We agree that a subordinate officer is obliged to obey the commands of his superior. But this obligation is limited to commands which are lawful or at least are not obviously unlawful. Besides, the commands must be given in the course of duty.... He was not under a duty to obey or to comply with any such order or request."

The import of these cases is this: the need for ethical behaviour is not just for banking institutions as a whole or the bank's leadership. Employees are also enjoined to exhibit ethical behaviours, especially in this new era of digitisation. Due to recent technological updates, unethical behaviours can be identified and reported within seconds. When tempted to behave unethically, especially under the instructions of a superior, employees should bring to remembrance the aforementioned cases and flee.

Practical Solutions

Quite apart from the examples that leaders must set, businesses must have strict monitoring systems to guarantee that ethical standards are followed. Installing a data monitoring system is one of the most secure ways to ensure ethical behaviour. The primary purpose of this system would be to analyse user behaviour. However, businesses should proceed with caution when implementing this. Such surveillance devices should be set up in such a way that the company does not violate the rights of their employees enshrined in Article 18(2) of the 1992 Constitution. Legal advice should be sought right from the inception of a company's digitisation process to ensure compliance with privacy and workplace laws and regulations. Users of digital platforms should know how their online actions are being tracked. Both verbal and non-verbal agreements must be entered into to ensure that businesses do not overstep their boundaries in their attempt to maintain high moral standards. Employee and consumer privacy must be maintained regardless of the safeguards.

Physical protection for sensitive facility areas, such as server rooms, is another important means of guaranteeing ethical conduct. Complex passwords must also be set to protect sensitive data, particularly confidential information. These passwords should be known to only a few trusted persons in the company. The digital space is complex. One hack into the

company's digital system could lead to a downward spiral that a company may never recover from. When more robust methods of securing the company's data are discovered, no expense should be spared in procuring those other technologies.

Additionally, all new facility users should be thoroughly screened to ensure that no individual who has previously engaged in unethical actions is hired. Employees must also receive a bi-monthly orientation to guarantee that they do not break the company's code of ethics. A clear policy must be established for reporting suspicious tendencies across an entity's digital platforms. This policy will ensure that all business stakeholders are actively involved in curbing the upsurge in unethical conduct on the said online platforms. It is common for a company's moral standards to be reduced due to one employee's malevolent behaviour. Employers should not be hesitant to lay off employees who behave unethically. Persons found to be engaging in unethical practices on corporate digital platforms should be dealt with harshly within the confines of the corporation's rules and regulations.

Conclusion

"For unto whom much is given, much shall be required," the Scriptures say in Luke 12:48b, "and unto whom men have entrusted much, of him, they will ask the more." Digitisation has improved output accuracy, resulted in faster outcomes, decreased costs in most circumstances, and improved the overall work experience.

Unfortunately, however, unethical behaviours have undermined these benefits of digitisation. With the introduction of digitalisation in the workplace, "much" has been given, and the expectation of high ethical standards is required.

Lauraine Mercy Ewurama Ghartey is a Lawyer called to the Ghana Bar. She is an Associate at Ghartey & Ghartey Law Firm. She holds an LLM in International Business Law from Osgoode Hall Law School-York University, Canada. The author is a Lawyer called to the Ghana Bar. She is a Junior Associate at Ghartey & Ghartey Law Firm. She holds an LLM in International Business Law from Osgoode Hall Law School -York University, Canada. Her areas of interest are Alternative Dispute Resolution, Intellectual Property Law, Company and Commercial Law and Family Law.

Email: missghartey@gmail.com

Protecting Deposits in the Financial Services Industry:

The Role of Banks and Deposit Insurer

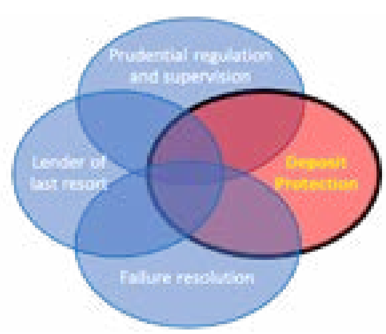
Pearl Esua-Mensah
CEO, Ghana Deposit Protection Corporation

Introduction

All over the world, banks, and Specialised Deposit Taking Institutions (SDIs) act as financial intermediaries. They accept deposits from the public and transform these deposits into loans for borrowers (often long-term). This process of financial intermediation leaves banks and SDIs vulnerable to various risks, including liquidity and solvency risks.

These risks, when manifest, could result in bank failures, with depositors suffering a loss of their deposits. To address this challenge and contribute to financial stability, governments establish financial safety-nets to mitigate financial sector failures.

Financial safety net



The financial safety net typically refers to a framework that includes the functions of prudential regulation and supervision, resolution, lender of last resort and deposit protection.

Prudential regulation and supervision aims at protecting depositors by ensuring that financial institutions adopt prudent risk management practices designed to ensure their continuing solvency and liquidity.

Lender of last resort is an institution (usually a country's central bank) or a financial system that offers liquidity to banks or other eligible institutions that are experiencing financial difficulty or are considered highly risky or near collapse.

Failure resolution refers to a disposition plan and process to facilitate the orderly exit of a non-viable bank or SDI. Resolution may include liquidation and depositor reimbursement; transfer and/or sale of assets and liabilities; establishment of a temporary bridge institution; and write-down or conversion of debt to equity.

Bank of Ghana is the authority that plays the first three roles in Ghana.

The reality, however, is that, in spite of the presence of the three safety net pillars described above, banks and SDIs could still fail due to poor lending practices, concentrations of credit, runs on banks, poor risk management decisions, non-bank activities and other factors beyond the control of regulators.

In the absence of an effective deposit protection scheme, as had been the case in Ghana for many years, the failure of banks and SDIs suddenly places an enormous burden on the tax payers' resources and threatens financial stability, as it compels Government to finance pay-outs to depositors. To curtail such sudden stress on state resources, and to enhance public confidence in the financial system, many jurisdictions around the world have established deposit protection schemes to protect depositors from losses on the occurrence of the failure of a bank or SDI.

A deposit protection scheme is a system set up to protect depositors against the loss of their deposits in the event that a bank or SDI is closed down by the resolution authority and a receiver is appointed.

Deposit protection helps to boost public trust and confidence in the financial system as it augments the existing safety-net by providing explicit protection to depositors. Deposit protection is also beneficial to the financial system as it ensures that deposit taking institutions also contribute towards the cost of resolving failed member institutions. Deposit protection further contributes to the orderly exit of failed banks and SDIs, while also promoting financial inclusion.

Deposit protection in Ghana

The Ghana Deposit Protection Scheme was established by the Ghana Deposit Protection Act (2016), Act 931. Portions of Act 931 were amended in 2018 by the Ghana Deposit Protection (Amendment) Act (2018), Act 968. Act 931 and its amendment are together referred to as the GDP Act.

The GDP Act also establishes the Ghana Deposit Protection Corporation (GDPC), a statutory body responsible for managing the deposit protection scheme. The Act further establishes the Deposit Protection Fund from which reimbursements will be made to depositors upon the failure of a bank or Specialised Deposit Taking Institution (SDI). The object of the scheme is to protect small depositors from loss incurred as a result of the occurrence of an insured event, and also support the development of a stable and efficient financial system in Ghana.

The Scheme, which was launched on 30th September 2019, was established with initial seed funding from the Government of Ghana and Bank of Ghana, with technical and financial support from Kreditanstalt für Wiederaufbau (KFW) a German state-owned development bank.

As a statutory body that operates within the public sector of Ghana, it is set up to be an independent institution with a seven-member Board, including the Chief Executive Officer. Board members are representatives of a cross section of industry professionals from CIB, AGI, GBA, ICA and the Ministry of Finance.

GDPC is a member of the International Association of Deposit Insurers (IADI), a body responsible for setting standards and recommending best practices for deposit protection practice across the globe.

Protecting deposits – the role of GDPC

The Scheme has been designed with a number of key features that enable it to perform this role.

Mandate

Section 2 (2) of the GDP Act states that the mandate of the Scheme is to be a **pay-box**, meaning that the Scheme is only responsible for the reimbursement of insured deposits on the occurrence of a bank failure. To do that, GDPC:

- collects periodic premiums from banks and specialised deposit-taking institutions and invests them to build the Fund. The Fund is to ensure that there is adequate liquidity available to pay a pre-determined amount of money to eligible customers of any member institution whose licence is revoked by Bank of Ghana;

- pays customers who have deposited money in any member institution in the event that, that bank or SDI fails, and their license is withdrawn by the Bank of Ghana. This may happen if, for some reason, Bank of Ghana determines that the particular institution cannot survive within the regulations and customers' deposits are not safe or they will not be able to pay back money deposited by their customers when they need it.

Membership

All banks and SDIs licensed by the Bank of Ghana to take deposits from clients are mandatory members of the Scheme. The compulsory membership of the scheme ensures that any failed institution would have contributed towards its own resolution. Member institutions of the Scheme include:

- all Banks;
- Finance Houses;
- Microfinance Institutions;
- Savings and Loans companies; and
- Rural and Community Banks.

Coverage limits

The aim of the Scheme is to promptly pay customers of the member institutions an amount of money that ensures that the average depositor or customer does not have to wait a long time to have access to their money. This way customers of the failed institution can go on with their normal lives without having to worry about losing their deposits or paying basic bills and expenditure.
Section 20 (3) of the GDP Act sets the maximum amount that can be paid to each customer of an insolvent bank or SDI: GHC 6,250 for depositors of banks and GHC 1,250 for depositors of SDIs. This amount will be paid from the Fund that is managed by GDPC. The maximum amounts payable is revised as and when appropriate, in line with prevailing economic conditions.

The Scheme covers various deposits including those in current accounts, savings accounts, joints accounts, trust accounts, fixed deposits accounts, partnership accounts, company accounts, mobile money accounts and sole proprietorship accounts. However, certain categories of deposits are not covered by the Scheme. Section 13 of the GDP Act clearly defines which categories of deposits are eligible for protection.

GDPC's coverage limits are aligned with IADI's Core Principle 8, which recommends that deposit insurance coverage should be limited, credible and cover a large majority of depositors but leave a substantial amount of deposits uncovered and exposed to market discipline.

This widely recognised principle further recommends that a deposit insurer must not provide 100% coverage for deposits, because a full deposit insurance coverage for all deposits could easily lead to moral hazard. Moral hazard refers to the incentive for banks or depositors to take excessive risks because they know that any negative impact of their actions will be mitigated by the deposit insurer's protection. Available data shows that GDPC's current coverage limits provide full coverage for up to 92% of depositors of banks and SDIs.

Reimbursing depositors - payout

In order to enhance public confidence in the financial system, and to minimise disruptions to the system, GDPC aims to pay every customer claim that is found to be valid as insured deposits within 30 days after the announcement of modalities for commencement of payment. If for some reason a customer is not able to put in a claim within the 30 days, they will be able to submit their claims within a time limit of five years after the failure of the bank or SDI. In the case of executors or administrators of deceased depositors, there is no limitation on the period within which to make a claim. A depositor with an outstanding claim above the limit paid by GDPC is entitled to apply to the Receiver that will be appointed by the Bank of Ghana to resolve the failed bank or SDI to claim the difference.

Public awareness

To build public confidence in the financial system and to enhance financial stability, it is essential that the public be informed on an ongoing basis about the benefits and limitations of the deposit protection scheme. Indeed, Section 24 (m) of the GDP Act explains the role of GDPC in educating the public about the key features of the scheme using various communication tools and channels.

Public communication and building of brand equity is one of the key pillars of GDPC's strategic plan. GDPC therefore organises sensitisation workshops for staff of member institutions of the Scheme to enhance their knowledge of the key features of the Ghana Deposit Protection Scheme, while also producing and distributing basic facts brochures to member institutions to help educate depositors about the Scheme.

GDPC has also set up an informative dynamic website with relevant materials to provide basic information and enhance stakeholders' knowledge about the operations of the Corporation.

Protecting deposits-the role of Banks

Corporate governance

For banks to effectively protect the interests of their key stakeholders, particularly depositors and shareholders, they need to have strong corporate governance systems in place. Experience has shown that poor corporate governance may contribute to bank failures, which can pose significant public costs and consequences due to their potential impact on any applicable deposit insurance systems and the possibility of broader macroeconomic implications, such as contagion risk and impact on payment systems. Moreover, poor corporate governance can lead markets to lose confidence in the ability of a bank to properly manage its assets and liabilities, including deposits, which could in turn trigger a bank run or liquidity crisis.

In their publication entitled "Enhancing corporate governance for banking organisations," the Basel Committee on Banking Supervision (BCBS) pointed out that banks are a critical component of any economy, given the fact that they provide financing for commercial enterprises, basic financial services to a broad segment of the population and access to payments systems. The Committee again noted that the importance of banks to national economies is underscored by the fact that banking is universally a regulated industry and that banks have access to government safety nets. The Committee therefore noted that it is of crucial

importance that banks have strong corporate governance systems in place.

Corporate governance, as defined by the OECD Principles of Corporate Governance, is

"a set of relationships between a company's management, its board, its shareholders, and other stakeholders. Corporate governance also provides the structure through which the objectives of the company are set, and the means of attaining those objectives and monitoring performance are achieved. Good corporate governance should provide proper incentives for the board and management to pursue objectives that are in the interests of the organisation and its shareholders and should facilitate effective monitoring, thereby encouraging firms to use resources more efficiently."

The BCBS further noted that corporate governance involves the manner in which the business and affairs of banks are governed by their boards of directors and senior management, which affects how they:

> **... effective corporate governance practices within banks will significantly contribute to achieving and maintaining public trust and confidence in the banking system.**

- set corporate objectives;
- operate the bank's business on a day-to-day basis;
- Protect the interests of depositors;
- meet the obligation of accountability to their shareholders and take into account the interests of other recognised stakeholders; and
- align corporate activities and behaviour with the expectation that banks will operate in a safe and sound manner, and in compliance with applicable laws and regulations.

The BCBS also noted that corporate governance can be practised regardless of the form used by a banking organisation. However, the Committee recommends four important forms of oversight that should be included in the organisational structure of any bank in order to ensure that the appropriate checks and balances are in place. These forms of oversight include:

- oversight by the board of directors or supervisory board;
- oversight by individuals not involved in the day-to-day running of the various business areas;
- direct line supervision of different business areas; and
- independent risk management and audit functions.

In addition, it is important that key personnel are fit and proper for their jobs. Indeed, effective corporate governance practices within banks will significantly contribute to achieving and maintaining public trust and confidence in the banking system.

Risk management

In the course of performing their roles as financial intermediaries, banks are often exposed to various risks, which could compromise the safety of clients' deposits. Overexposure to these risks can cause bank failure and adversely impact numerous depositors. The ability of a bank to manage risk also affects investors' decisions. Even if a bank can generate large revenues, lack of efficient risk management can erode profits due to losses on loans. Value investors are more likely to invest in a bank that is able to provide profits and does not operate at an excessive risk of losing money. It is therefore critical for banks to develop and execute plans to efficiently manage their exposure to losses or risk in order to protect the value of their assets.
The major risks confronting banks include credit risk, operational risk, market risk and liquidity risk.

Supporting deposit insurance

To further protect the interest of their clients, banks are required to collaborate with the Ghana Deposit Protection Scheme to insure the deposits of their clients. Such collaboration involves the payment of premiums to the scheme, the periodic submission of deposit data to the Scheme and education of clients on the Ghana Deposit Protection Scheme.

Premiums

Section 14 of the GDP Act mandates all banks and SDIs to pay an initial one-off premium of 0.1% of the required minimum paid-up capital to the Scheme. Thereafter, member institutions are required to pay an annual premium of 0.3% of their insurable deposits to the Scheme, as stated in Section 15 of the GDP Act. These premiums enable GDPC to build the deposit protection fund, from which depositors can be paid compensation in times of a bank failure. These premiums should not be passed on to depositors in the form of fees or charges.

Returns

To enable the Corporation determine its exposure to member institutions and to efficiently pay out compensation to depositors in times of a bank failure, Section 21 of the GDP Act mandates all member institutions of the Scheme to regularly submit accurate deposit data to the Scheme. This requires banks to put in systems and processes to ensure that data collected on their customers are accurate, complete and can be easily extracted.

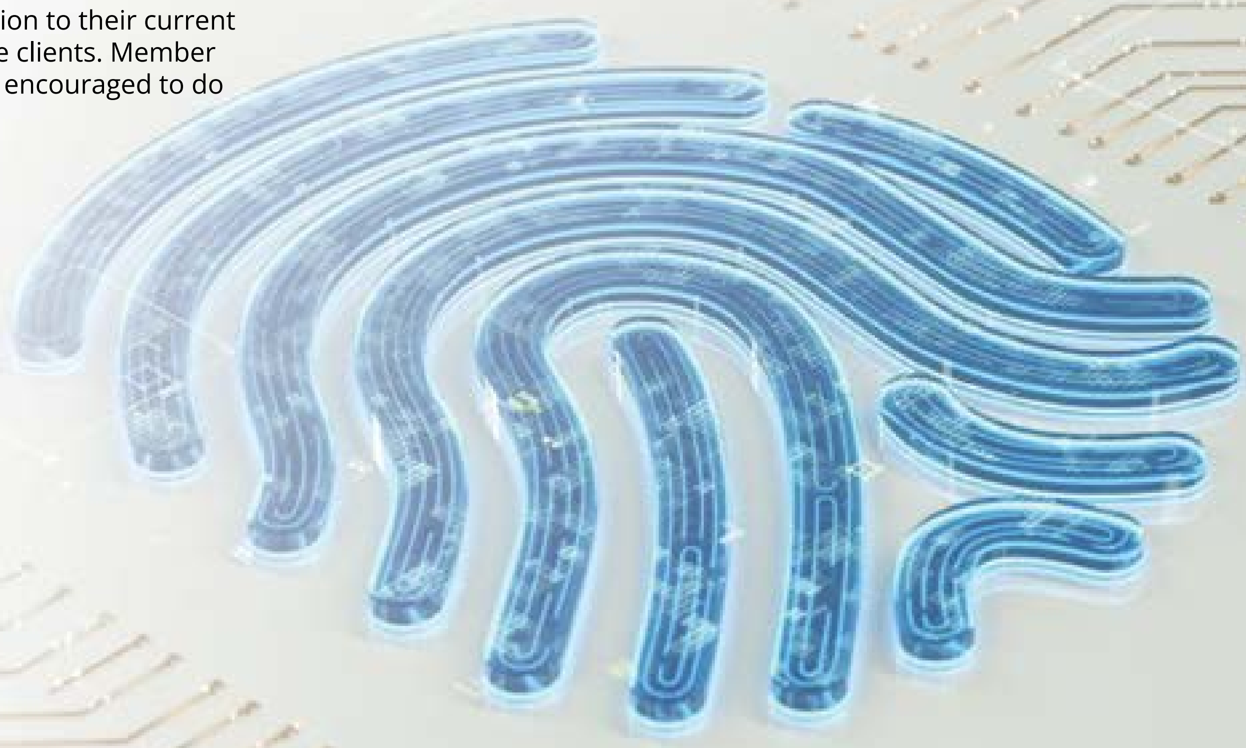
Education of depositors

Section 50 of the GDP Act states that all member institutions are obliged to collaborate with the Scheme to provide information on deposit protection to their current and prospective clients. Member institutions are encouraged to do so by:

- distributing GDPC communication materials to their clients to educate them on the benefits and limitations of the Ghana deposit protection scheme;
- facilitate the training of their staff to enable them inform clients about the deposit protection scheme;
- displaying their membership certificates and logo posters in their banking halls;
- ensuring that their websites display a hyperlink to GDPC's website to enable clients read more about the Ghana deposit protection Scheme; and
- supporting public education initiatives designed by GDPC to educate depositors about the Scheme.

Conclusion

An efficient deposit protection system generates confidence in the financial system and promotes financial stability, which is an important contributor to a vibrant economy. A stable financial system works to the benefit of banks, depositors, and the economy. The Ghana Deposit Protection Corporation, Banks, SDIs, and all other relevant stakeholders need to play their roles to help grow and sustain the Ghana Deposit Protection Scheme for the benefit of individual depositors and the nation as a whole. ☐



Risks in a Digital Banking Environment

Mr. Mohammed Ozamah
Former FBN Chief Risk Officer

Ethics generally refers to the way individuals and groups relate to, threat and resolve issues with each other. The Oxford Dictionary defines Ethics as "Moral Principles governing behaviours or the conduct of an activity. Ethic has also been defined as "Moral Philosophy, System or Theory of Moral Values or Principles, Discipline concerned with what is morally good and bad and morally right and wrong"- (source: Britannica.com).

Ethics has its roots in moral values from the origin of humanity and religion. Over the ages, we learn about the "Code of Hammurabi"; the "Ten Commandments"; "Protagoras by Pluto - Moral Sense and capacity for Law and Justice"; the "Sermons on the mountain by Jesus Christ"; the "Last Sermon on Mount Arafat by the Prophet of Islam; and a host of other codes enunciated by various Sages to Humans in different generations.

Ethics addresses issues like, how should we Co-exist? What should be our Values? What should be our standards? What are the fundamental principles that guide our decision-making? Etcetera, which are consistent with Social Norms or even Higher Standards.

Ethics is about Morals, Integrity, Principles, Honesty, Right, Fairness, Responsibility, Conscience, Choice, Honour, and Value (Santa Clara University, Leavey School of Business) Ethics also refers to standards and practices that tell how human beings ought to act in the many situations in which they find themselves—as friends, as parents, as children, as citizens, as businesspeople, as professionals, and so on. Ethics is also concerned with our character and requires knowledge, skills, and habits.

Digital Ethics encompasses how users and participants in online environments interact with each other, and the technologies and platforms used to engage.

The Digital Evolution

The act of computing and digitalisation, over the years have evolved rapidly and somewhat exponentially in the last three years. From the origination of the concept of "programmable computer - regarded as the first computer" which was invented by Charles Babbage (an English mechanical engineer and polymath) in the early 19th Century, the Computer as a device and an enabling tool has witnessed tremendous transformation.

Digital Computers were used by the US Navy in 1938, and the "the Colossus" was used during the World War II in 1943. The development of the Electronic Numerical Integrator and Computer (ENIAC) or the "Turing – Complete Device", the development of Transistors (MOSFET) and the Integrated Circuits (ICs) ushered in a major

revolution in the developments of Modern Computers. This laid the foundation for Mobile Computers (Osborne 1, Compaq and Grid Compass), and the eventual introduction of Mobile Phones in the early 2000s.

> **"Ethics addresses issues like, how should we Co-exist? What should be our Values? What should be our standards? What are the fundamental principles that guide our decision-making? Etcetera, which are consistent with Social Norms or even Higher Standards."**

Today, the Smart Phones and Tablets run on a variety of Operating Systems and have recently become the dominant computing devices on the market. These devices are powered by Systems on Chips (SOCs), which are complete computers on a microchip, the size of a coin.

Digital Evolution has been variously described as - *"the adoption of new technologies and services to improve business efficiency, reduce costs or increase capacity" OR "the adoption of digital technology to transform Services or Businesses through replacing non-digital or manual processes with digital processes or replacing older digital technologies with a new digital technology".*

Digitisation has been around for over 50 years. However, in the last three (3) years, we have seen technology moved at a pace that can described as rapid and transformational. Today, we have seen tremendous acceleration in digitalisation in many aspects of our daily lives, thanks in part, to the Covid-19 Global Pandemic. The way people have adapted to work through the Covid-19 critical times will have a lasting impact on how we approach the future of work ("the new normal").

Looking at the last three (3) years or so, it is evident that some of the changes that companies made to business models to meet the challenges of the pandemic were likely already tabled for development and implementation as a "natural progression" but Covid-19 disrupted "business as usual", and accelerated investments in digitalisation.

The good news, however, is that technology can change the economics of a business. This is evident in the way "Online Banking" has changed the nature of bank branches (especially cost/revenue profile) and "Online Shopping", in the retail/consumer businesses. Indeed, technology is also changing the culture and processes in most organisations

> **"Artificial Intelligence ("AI") have found space to transform complex procedures into something that can be done much faster or even automatically."**

(Alan Jacobson,2021).
The world's most valuable resource today is no longer Oil but Data (The Economist, 2017). It had earlier been described as a "New Soil" (David McCandless, 2010). And this data can be generated by both people and devices. In recent years, the number of individuals connected to the internet has increased astronomically. In 2014 for instance, the number of active mobile devices crossed over the number of human being in the World reaching a total of 7.19 billion Smart Phones. In 2020, there were more than 10.3 billion Cellular Connected devices in the World (GSMA Intelligence report, 2020).

Indeed, the advent of the "Digital Era" and the exponential growth in the computing capacity of modern machines, has seen the number of transistors in microprocessor circuits doubled every two years (Moore, 1965). Data Analytics and recently, Artificial Intelligence ("AI") have found space to transform complex procedures into something that can be done much faster or even automatically. AI is not new. As far back as 1950, Alan Turing had proposed the Turing Test, and in that same year Isaac Asimov published the three (3) Robotic Laws.

More than ever before, the financial industry has witnessed an increase in adoption of digitalisation, especially with the entrant of Telecommunication Companies and Fintech Companies into the Financial Services space and bringing along with them, a new vista in the adoption of AIs and APIs in the design and deployment of varieties of new products and solutions in the Banking Services space.

In terms of opportunities, AI's incredible precision, accuracy and speed in completing tasks could take the place of humans in repetitive and tedious duties in difficult environments, even in dangerous or hostile ones. AI is also a tool that can help us to "convert information to knowledge", being able to analyse an extensive volume of data, image recognition, recognition of malformation from body scans or recognition of mass-produced defects in an automated industry, and a wide range of other areas of applications, with the objective mostly being increased revenue and profit (or performance optimisation).

Indeed, the ambition of AI researches is to make machines perform human-like tasks and humanise matter even to the level of reductive physicalism. The above, amongst others, underscores the need to for humanity to look beyond the performance optimisation motives to also consider the issues of Ethical Standards in connection therewith. Some of the risks that have been identified to be associated with the adoption of AIs include the followings:

- Labour Displacements,
- Lack of AI Implementation Traceability.
- AI Oligopolies,
- Introducing Program Bias into Decision Making.
- Surveillance
- Data Sourcing and Violation of Personal Privacy.
- Control
- Black Box Algorithms and Lack of Transparency.
- Discrimination, and
- Unclear Legal Responsibility.

According to Luciano Floridi (2019), AI when misused or overused can have the following negative effects:

- Devaluation of Human Skills
- Removing human responsibility
- Reducing human control
- Eroding human Self-determination

Floridi further averred that "digital ethical governance is a matter of design and governments, above all, has the hard responsibility to design what kind of Society we want through Data Protection Regulations, etc. to address areas of diversity (such as gender, class, ethnicity, discipline, and other pertinent dimensions) in order to increase inclusivity, tolerance and the richness of ideas and perspectives.

Privacy is another big issue. Today, Facebook, Amazon, Google, and other Big Tech Companies, use AI algorithms to keep collecting people's personal information and related data to navigate specifically our data cookies. There is therefore the urgent need for the AI industry to make significant structural and technological changes to address systemic discrimination in terms of racism, misogyny, and lack of diversity.

Also, in our today's world, how we manage ourselves ethically, professionally, and do business in a sound manner via online and digital medium have become a big issue, especially in the banking industry as banks churn out various types of products and services to delight their customers.

Digital Ethics and Privacy issues are also growing, especially around permission to collect and store data about users, permission to use, disclose or sell any personal data that has been stored, users' rights to request that data about them be deleted, users' rights access to their personal data that have been collected and stored, and a host of other emerging issues.

In trying to deal with Ethical issues emanating from Digitalisation, many frameworks, guidelines and principals have been developed by both governmental and non-governmental organisations such as OECD, European Commission (published in 2019 the European Commission's Ethics Guidelines for Trustworthy AI) and the Beijing Academy of AI (Ministry of Science and Technology, China).

Over the past couple of years, the World Economic Forum (September, 2021) has been working with a multi-stakeholder groups to advance ethical practices in technology development under a project titled "Responsible Use of Technology". This group has identified a need to highlight and share best practices in the responsible design, development, deployment and use of technology. They have identified IBM as being well underway on its mission to develop and advance Ethical AI Technology. Lessons from the IBM model include:

1. Trusting your employees to think and act ethically,

2. Operationalising values and principles on AI ethics,

3. Aiming for broad impact on AI ethics.

IBM is a founding member of several multi-stakeholders' organisations, including the Partnership on AI to Benefit People and Society (2017) and the Vatican's "Rome Call for AI Ethics" (2020). IBM also works on many World Economic Forum initiatives related to AI ethics, including the Global Future Council on AI for Humanity, the Global AI Council, and the Global AI Action Alliance. Besides these institutional partnerships, individual IBM employees are also involved in the IEEE's Ethics in Action Initiative, the Future of Life Institute, the AAAI/ACM AI, Ethics, and Society conference, and the ITU AI for Good Global Summit. Also, Microsoft had earlier been identified by the World Economic Forum as contributing to Ethical Technology development.

Microsoft had proposed responsible principles in practice to include the followings:

- **Fairness:** That AI Systems should treat all people fairly.
- **Reliability and Safety:** That AI Systems should perform reliably and safely.
- **Privacy and Security:** That AI Systems should be secured and respect privacy.
- **Inclusiveness:** That AI Systems should empower everyone and engage people.
- **Transparency:** That AI Systems should be understandable
- **Accountability:** That people should be accountable for AI Systems.

The Markkula Center for Applied Ethics, Santa Clara University is also in the forefront of digital ethics. They have developed a Framework for Ethical Decision-Making in AI technology development. They have suggested a variety of different lenses that help perceive ethical dimensions and these are:

- **The Rights Lens:** It is suggested that the ethical action is the one that best protects and respects the moral rights of those affected. This approach starts from the belief that humans have a dignity based on their human nature perse or on their ability to choose freely what they do with their lives. On the basis of such dignity, they have a right to be treated as ends in themselves and not merely as means to other ends.

- **The Justice Lens:** Justice is the idea that each person should be given their due, and what people are due is often interpreted as fair or equal treatment. Equal treatment implies that people should be treated as equals according to some defensible standard such as merit or need, but not necessarily that everyone should be treated in the exact same way in every respect.

- **The Utilitarian Lens:** Some ethicists begin by asking, "How will this action impact everyone affected?"—emphasising the consequences of our actions. Utilitarianism, a results-based approach, says that the ethical action is the one that produces the greatest balance of good over harm for as many stakeholders as possible, the one that produces the greatest good and does the least harm for all who are affected—customers, employees, shareholders, the community, and the environment. Cost/benefit analysis is another consequentialist approach.

- **The Common Good Lens:** According to the common good approach, life in community is a good in itself and our actions should

"It is suggested that the ethical action is the one that best protects and respects the moral rights of those affected."

contribute to that life. This approach suggests that the interlocking relationships of society are the basis of ethical reasoning and that respect and compassion for all others—especially the vulnerable—are requirements of such reasoning. This approach also calls attention to the common conditions that are important to the welfare of everyone—such as clean air and water, a system of laws, effective police and fire departments, health care, a public educational system, or even public recreational areas. The common good lens highlights mutual concern for the shared interests of all members of a community.

- **The Virtue Lens:** A very ancient approach to ethics argues that ethical actions ought to be consistent with certain ideal virtues that provide for the full development of our humanity. These virtues are dispositions and habits that enable us to act according to the highest potential of our character and on behalf of values like truth and beauty. Honesty, courage, compassion, generosity, tolerance, love, fidelity, integrity, fairness, self-control, and prudence are all examples of virtues. Virtue ethics asks of any action, "What kind of person will I become if I do this?" or "Is this action consistent with my acting at my best?"

- **The Care Ethics Lens:** Care ethics is rooted in relationships and in the need to listen and respond to individuals in their specific circumstances, rather than merely following rules or calculating utility. It privileges the flourishing of embodied individuals in their relationships and values interdependence, not just independence. It relies on empathy to gain a deep appreciation of the interest, feelings, and viewpoints of each stakeholder, employing care, kindness, compassion, generosity, and a concern for others to resolve ethical conflicts. Care ethics holds that options for resolution must account for the relationships, concerns, and feelings of all stakeholders.

Algorithm developments should be robustly discussed to ensure that functioning will comply with the ethical frameworks and guidelines. This implies technological, organisational, and theoretical challenges and the fact that Society is implicitly demanding the improvement in explainability and interpretability of AIs (Pastor Escuredo and Del Alamo, 2020).

> **"Unethical behavior is something that can creep into an organisation and cause major disasters if ethical principles are not properly embedded."**

In conclusion, Artificial Intelligence (AI) today cannot be said to be truly morally and ethically intelligent. Studies have shown that Ethical problems that arise from AIs are innumerable. It is therefore, recommended that whether you are digital developer, user, politician, etc., we should rely on existing/available ethical frameworks like the Beijing AI Principles and the European Commission's Ethics Guidelines for Trustworthy AIs, to build a structure that encourages consciousness of the possible ethical issues that may arise from our actions or inactions in dealing with digital assets, thus being able to avoid them, and as well, protect everyone's human rights in the process.

Organisations (banks inclusive), and indeed, government/regulators should also leverage on these frameworks to create a set of new laws/guidelines in order to regulate, guide behaviours and discipline in this rapidly evolving digital space, with the view to ultimately achieving convergence at both national and on a global level.

There is also need the for improvement in the enforcement of the Data Protection Regulations by government and the regulatory agencies in line with their statutory mandates, review of obsolete regulations and enunciation of new ones to keep pace with the rapid evolution in the digital space, as well as providing a level playing ground for ICT/Digital Innovations. Indeed, the protection of both Business and Personal information/data, as well as the regulation of Data Controllers and Data Processors cannot be overemphasised.

Government and indeed, private Organisations (banks inclusive) should do more interventions in the digital space, by partnering to provide more digital education in the society.

The Chief Information Security Officers (CISOs) and Directors of Cyber and Information Security (DCIS) of banks should be empowered not only to check security of systems, platforms and applications, but also to check the Ethical issues therefrom, in the process of assessment, acquisition, deployment and use of digital assets of banks.

On a general note, issues around Ethics have major financial impacts for organisations and individuals. "Bad things do happen even with the best of intentions". So long as there are human beings, there will be imperfection and something or somewhere that needs to be guarded or guided. Unethical behavior is something that can creep into an organisation and cause major disasters if ethical principles are not properly embedded.

Typical Ethical Values will include principles like Zero discrimination, Fairness, Respect, Responsibility, Accountability, and Integrity.

Incorporating Ethics into everything we do is important due to the fact that:

- Unethical corporate governance results in corporate disasters and economic liabilities.
- Establishment of policies and mechanisms for monitoring unethical behaviours and other corrupt practices in the organisation mitigates the adverse effects on the company, and promotes good ethical conduct and stakeholders' confidence.
- Establishment of professional, business and ethical standards underscores the values for the protection and enhancement of the reputation of the company, and promotes good conduct and investors confidence.
- Recognising that Ethics is central to earning stakeholders' confidence (both domestic and foreign) and this is essential for business growth and sustainability.

Banks are therefore encouraged, more than ever before, to generally incorporate and embed ethics into their corporate structure through the following:

- **Setting the tone** at the top and leading from the Board. The board must of necessity initiate and abide by the code of ethics of the organisation.
- **Corporate Value Exercise:** The Ethical values must be organisation-wide (or Enterprise-wide), visible, known and owned across the length and breadth of the organisation.
- **Code of Ethics:** There must be clear codes of Ethics that sets out the principles governing decision-making and behaviours in the organisation.
- **Code of Conduct:** The rules governing specific behaviours such as harassment, jerking, conflict of interest confidentiality of information, etc. should be clearly documented and reconfirmed annually. This however, can be merged with the Code of Ethics.
- **Disclosure and accountability mechanism:** Banks should clearly define disclosure requirements in line with regulatory requirements, internal polices and best practice, at all levels, especially at Board and Committee levels.
- **Policies:** There should be clear policies around whistleblowing & implementation mechanism, insider-trading, conflict of interest, sanctions and procedures, etc.
- **Ethics Officer and Ethics Committee/Sanction Committees:** As part of the embedment process and in order to give more impetus, banks should consider appointing Ethics Officers and Ethics Committees/Sanction Committees.
- **Annual Ethics Refreshers:** There should also be annual Training/Courses on Ethics for all staff, management and Board members.
- **Board Evaluation:** There should be annual Board Evaluation which should include evaluation against the code of ethics of the organisation. In addition to their traditional role of oversight and control, entrepreneurial and strategic leadership, the role of the Board should include promoting ethical culture and responsible corporate citizenship.

"Reimagining Cybersecurity In The Era Of Digital Evolution"

Dr Albert Antwi-Boasiako,

Ag. Director-General, Cyber Security Authority (CSA)

Introduction

Digitalisation is not only revolutionising the way businesses are conducted today but creating opportunities and providing enabling environments for economic growth. New and emerging digital technologies and trends, such as fifth generation (5G) networks, quantum computing and artificial intelligence (AI), cloud computing, mobile web services, Internet of Things (IoT) and social media, are radically changing the business landscape—reshaping the nature of work and business operations. Recent statistics indicates that over 62% (4.95 billion) of the world's population have access to the internet. At the domestic level, Ghana's internet penetration has increased exponentially from 2.31 million in 2012 to 17 million users in 2022.

The advent of COVID-19 has further accelerated digitalisation in what has come to be referred to as the *Fourth Industrial Revolution (4IR).* While digitalisation is bringing remarkable economic and societal benefits to much of the global population, it is worth noting that these technologies, irrespective of the opportunities they create, have inherent risks such that when taken advantage of by cybercriminals, could have detrimental effects on enterprises, societies, and nations at large.

Cyberattacks continue to pose threats to businesses. According to the World Economic Forum's 2020 edition of the Global Risks Report, cyberattack is ranked the seventh most likely and eighth most impactful risk facing businesses globally. In recent years, there have been a number of major cyber incidents that have significantly impacted businesses including the financial institutions. In April 2020, the Financial Stability Board (FSB)[1] cautioned that "cyber incidents pose a threat to the stability of the global financial system." It warned that a major cyber incident, if not properly contained, could seriously disrupt financial systems, including critical financial infrastructure, leading to broader financial stability implications."[2]

Digital Evolution in Context

Global internet users have climbed to 4.95 billion at the start of 2022, with internet penetration now standing at 62.5 percent of the world's total population[3]. This

1 https://www.fsb.org/about/

2 https://www.weforum.org/agenda/2020/11/inclusive-recovery-needs-secure-financial-services/

3 https://datareportal.com/reports/digital-2022-global-overview-report

factor is driving strong growth in the use of new technologies. As of 2020, as many as 1.9 billion individuals worldwide actively used online banking services; with this forecast expected to reach about 2.5 billion by 2024.[4] A report published by statista.com on 31st March 2022 indicates that, as of January 2022, the internet penetration rate in Ghana reached 53 percent, up from 50 percent in the same month in 2021, with an estimated 17 million internet users.

The growing desire to accelerate inclusive growth through greater efficiency, transparency, and accountability in the delivery of public services has led to the implementation of national flagship digitalisation projects including Mobile Money Interoperability, a Universal QR Code (GhQR) Payment System, National Identification System, the e-Passport System, the Ghana.gov infrastructure and the Paperless Port System, among others. Digital technology is also providing broad-based access to financial services which is unprecedented in the annals of the Ghanaian banking and the financial industry with mobile money accounts recording phenomenal growth of about 18.4 million as at end of October 2021[5]. This development is quite reassuring and presents an opportunity for accelerating financial inclusion.

The world on the other hand is also witnessing an upsurge in activities related to cybercrime. According to Interpol's African Cyberthreat Assessment Report, October 2021, digital trends, and their exponential proliferation due to the COVID-19 pandemic have thrust the global population into a new trajectory of digitalisation and interconnectedness. The consequence of this development, according to the report, is the increasingly frequent, costly, and damaging occurrence of cyber incidents, sometimes even paralysing critical systems and services.

The World Economic Forum (WEF) Global Cybersecurity Outlook 2022 also adds that as our dependency on digital technologies continues to surge at a rapid rate, so does cybercrime. Cybercriminals are seising every opportunity to exploit vulnerabilities against people and organisations through technology.

They are more agile than ever; swiftly adapting new technologies, tailoring their attacks using novel methods and cooperating closely with each other[6]. Cybercrime has also contributed to the increase in the cost of security and regulatory breaches to organisations, amounting to an average of US$ 3.6 million per incident, according to a report by the IBM.[7]

It is estimated that, cybercrime will increase and will evolve in complexity, consistent with the current and future development in digital transformation. We should have this in sight with respect to our cyber risk management practices and objectives.

Evolution of Cybersecurity & the Need to Rethink

4 https://wearesocial.com/uk/blog/2022/01/digital-2022/

5 https://www.bog.gov.gh/wp-content/uploads/2022/03/The-Evolution-of-Bank-of-Ghana-Policies-on-the-Ghanaian-Payment-System-1.pdf

6 https://www3.weforum.org/docs/WEF_Global_Cybersecurity_Outlook_2022.pdf

7 https://www.ibm.com/security/digitalassets/cost-data-breach-report/

Cybersecurity in the Banking Sector

A few years ago, digital systems played an ancillary role in most industries. Traditional processes were the order of the day and computers were at best, tools to help get the job done. Standalone digital systems with limited processing power supported business processes and served as repositories for paper documents which implied organisations were not significantly impacted in the event of a cyber-attack. Digital systems rapidly evolved through the years, forming a significant part of organisation's processes.

Security of the digital systems were not initially considered through this evolution and had to play catch-up to ensure the protection of systems and data. The network-centric nature of the business environment and interconnectedness of digital systems at the moment present attack surfaces that did not previously exist. For example, 56% of bank executives stated that mobile banking has been the preferred medium of banking for customers with some banks recording upwards of 200% growth in mobile banking applications usage, according to PwC's Ghana Banking Survey 2020[8].

With digital transformation comes new risks. Malicious actors are leveraging on digital transformation, posing a growing threat to confidence and integrity of financial systems. Threat actors are primarily fixated on financial gains. However, there has been a steady rise in the number of disruptive and destructive attacks in recent times, impacting on the confidentiality, integrity, and availability of critical information infrastructures (CIIs). This swift evolution of the digital space and the risk landscape calls for reimagination of cybersecurity as we continue to adopt digital banking.

Banking sector lost due to cyber-attacks in 2017

US$ 1.05 trillion

The European Central Bank (ECB) and the European Systemic Risk Board (ESRB) have warned that cyber-attacks could trigger systemic financial crisis estimating its global cost to be USD654 billion9; and the Bank of Ghana (BoG) indicated in its Banks & SDI Fraud Report 2020 that cyber-related frauds contributed to GHS14.3million of monetary loss within the industry in 2019[10].

Similarly, a review conducted by CGAP/GIZ of over 700 organisations from across Africa in 2017 disclosed that the banking sector lost about US$ 1.05 trillion because of cyber-attacks[11]. Key among the issues raised were that 75% of organisations were not employing security testing techniques, 60% of organisations were not keeping up to date with cybersecurity trends and attacks, and 75% of the vulnerabilities identified within organisations involved missing patches and software package updates.

As part of efforts to address the ever-changing digital landscape of Ghana's financial sector and its associated risks, Bank of Ghana (BoG) in collaboration with the then National Cyber Security Centre (NCSC) launched the *Cyber and Information Security Directive*[12] for financial institutions licensed, registered, or regulated by the Bank of Ghana, to improve cyber resilience in the financial sector. The primary objective of BoG's Directive was to promote cybersecurity compliance to

8 https://www.pwc.com/gh/en/assets/pdf/pwc-ghana-banking-survey-report-2020.pdf

9 https://www.forbes.com/sites/daveywinder/2020/02/08/645-billion-cyber-risk-could-trigger-liquidity-crisis-ecbs-lagarde-warns/?sh=6c12ab307ca8

10 https://www.bog.gov.gh/wp-content/uploads/2020/08/SUMMARY-OF-2019-FRAUD-REPORT.pdf

11 CGAP/GIZ - Cyber Security in Financial Sector Development: Challenges and Potential Solutions for Financial Inclusion 2019

12 https://www.bog.gov.gh/reg_directives/bank-of-ghana-cyber-information-security-directive/

global standards. This approach also involved the appointing of Chief Information Security Officers (CISOs) to oversee and implement cybersecurity management in each regulated institution.

The passage of Ghana's landmark Cybersecurity Act, 2020 (Act 1038) which established the Cyber Security Authority (CSA) seeks to improve the collaborative efforts and build upon what has already been achieved by the *Cyber and Information Security Directive.* Based on the current cyber risk profile of the financial sector, there are ongoing discussions to review the existing financial sector cybersecurity directive to align with the Cybersecurity Act 2020 (Act 1038) with particular emphasis on the protection of the banking sector which has been designated as a Critical Information Infrastructure. The designation of the banking sector as CII pursuant to Section 35 of Act 1038 calls for the need to rethink and redefine cybersecurity in the banking sector as the sector continue to leverage on digital innovations to deliver banking services to both the banked and the unbanked population.

On October 1, 2019, during the launch of the 2019 edition of the National Cybersecurity Awareness Month (NCSAM), the then National Cyber Security Centre (NCSC) launched the Cybercrime/ Cybersecurity Incident Reporting Points of Contact (PoC). The PoC comprises six activated platforms and channels that provide citizens an avenue to report cybercrime and cybersecurity incidents for further analysis and response.

These channels include an online form, SMS, call, E-mail, WhatsApp, and a mobile application. Records as of March 2022 show that since its launch, about 55,012 contacts have been made with the Cyber Security Authority. After successful triaging 3114 of the contacts made were recorded as cyber-related incidents. 27,504 direct advisories were given out through the PoC, preventing citizens from becoming victims of different types of cybercrimes including financial-sector cybercrimes.

The trend of incidents received through the PoC are consistent with Interpol's African Cyberthreat Assessment Report published in October 2021 which identifies Online Scam, Digital Extortion, Business Email Compromise (BEC), Ransomware and Botnets as topmost cybercrimes affecting individuals and businesses on the African continent. Trends from incidents received from the PoC suggests the public including customers of the banking sector continue to fall victims to cyber-enabled crimes. However, losses from such reports are not yet quantified.

Cybersecurity Imperatives in the Era of Digital Evolution

Reimagining cybersecurity in the era of digital transformation requires certain actionable imperatives, driven by both state and non-state (private sector) actors. These imperatives are required to support and to a large significant extent, to guarantee the ongoing digital transformation activities.
The following are the specific imperatives underpinning the need to reimagine cybersecurity.

Cybersecurity Regulations for Sustained Digital Transformation

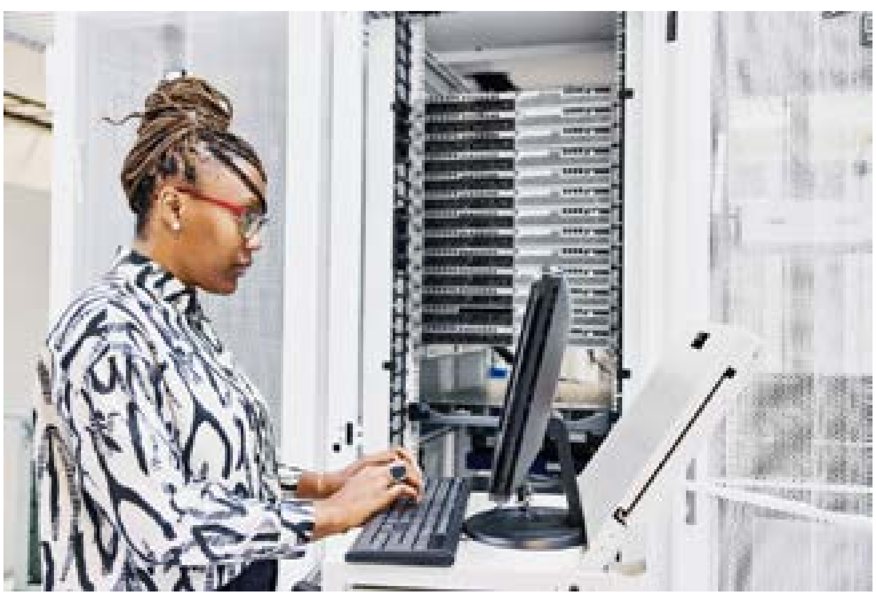
Data has become the new gold in the era of digital transformation. The more valuable the data, the greater its power as well as its monetary value. As a result, the financial sector which handles sensitive data such as personal identifiable information and financial records, is at a high risk of cyber-attacks as the sector remains a lucrative target for cybercriminals.

The proliferation of cyber-attacks targeting the banking and finance industry has led to the establishment of several mandatory cybersecurity regulations, globally. Previously perceived as unnecessary burden on enterprises and security teams, regulatory compliance has become one of the most effective strategies to mitigate cyber risks within the industry and a reliable measure, if well enforced, to keep financial institutions accountable on cybersecurity matters[13]. One way to enhance data protection in the financial industry is by ensuring proper financial data security compliance with domestic regulations and industry standards.

Cybersecurity regulations must be flexible to remain relevant in a rapidly evolving threat landscape. This means that the financial sector must constantly keep track of changes to existing regulations as well as the establishment of up-to-date information security standards and regulations.

The Cybersecurity Act, 2020 (Act 1038) provides regulatory and policy guidance to promote cybersecurity development in the country, including the protection of critical information infrastructures of which the banking and finance sector is a part. In addition, Ghana's Cyber Security Authority (CSA) has deployed a *Directive for the Protection of Critical Information Infrastructure* which establishes baseline cybersecurity requirements, incident response and reporting mechanisms, as well as audit and compliance procedures for all designated CII owners.

The future of work is digital.



This Directive is compatible with the Bank of Ghana's *Cyber & Information Security Directive* which also provides a framework for establishing cyber and information security protocols and procedures for the assurance of data and network security in the financial sector. Furthermore, the Payment Systems and Services Act, 2019 (Act 987) prescribes policies and directions for payment service providers to implement cybersecurity protocols in their processes, under Section 20(1d) to protect and secure payment systems infrastructures.

Ghana's Data Protection Act, 2012 (Act 843) is another piece of legislation which provides regulatory framework for the protection of personal data. In the European Union (EU), the *General Data Protection Regulation (GDPR)* provides a security framework to all enterprises that process data about EU individuals by preventing the personal data of EU citizens from being compromised[14]. The GDPR highlights different security guidelines for both data processors and data controllers to secure the entire lifecycle of user data. The *African Union Convention on Cyber Security and Personal Data Protection (Malabo Convention)* provides similar regulatory arrangements for member states[15]. Ghana has

13 https://www.bis.org/fsi/publ/insights2.pdf

14 https://gdpr-info.eu

15 https://au.int/sites/default/files/treaties/29560-treaty-0048_-_african_union_convention_on_cyber_security_and_personal_data_protection_e.pdf

ratified the Malabo Convention and therefore subject to the articles in the Convention.

Whilst a number of international and domestic efforts are at play with respect to cybersecurity regulations, the challenge has often been the harmonisation of these regulations to bolster cybersecurity efforts. The multiplicity of regulatory bodies involved in this evolving sector has the potential to create unnecessary regulatory burden to enterprises and this could impact on the effectiveness of cybersecurity regulations. Whilst all these regulatory agencies have legitimate mandates in law to ensure the resiliency of Ghana's digital ecosystem, it is important for these actors, who are primarily state actors to approach regulations of cybersecurity from a collaborative standpoint.

Industry-oriented standards such as the Payment Card Industry - Data Security Standards (PCI DSS), the National Institute of Standards and Technology's (NIST) NIST 800-53 and the International Organisation for Standardisation's (ISO) ISO/IEC 27001 provide a set of security requirements and standards to help comply with domestic and international regulations.

Cybersecurity regulations are not only necessary but imperative to deal with both existing and emerging cyber threats which have the potential to undermine our collective digital dividends as a country.

Cybersecurity Workforce Development to Meet Current & Future Workforce Requirements.

The future of work is digital. The increasing reliance on digital technologies and services is shaping the way we work in a way that the world has not witnessed before. Whilst governments, academia and industry have collaborated to train the needed manpower in the broad areas of ICT, critical job areas such as Artificial Intelligence, Data Analytics and Cybersecurity remains unfilled. Businesses today face severe challenges recruiting the skillset required to protect networks and systems from cyber-attacks. The WEF's 2022 Global Risks Report identifies a 3-million gap in cyber professionals needed world-wide[16]. With cybercriminals now responsible for billions in losses per year and state-sponsored hacking groups posing an ever-greater threat to the digital economy, the need for individuals capable of securing networks against attackers has never been greater.

A holistic approach to developing a cybersecurity workforce must, therefore, be cross-disciplined – technical and non-technical alike, in a coherent fashion. It must factor in the relative contribution of these different subfields and recognise that cybersecurity professionals need to develop expertise within their individual subfields to easily understand how their work is a multidisciplinary fit. Such an approach integrates activities that define the workforce structure and continuous professional development programmes for workforce development.

ISACA's State of Cybersecurity 2022 report on *Global Update on Workforce Efforts, Resources and Cyber Operations* indicates that enterprises continue to lack the desired staffing levels and skills to combat cyberthreats[17].

The survey revealed that 63% of the respondent enterprises have unfilled cybersecurity positions and that 60% of them are experiencing difficulties in retaining qualified cybersecurity professionals.

Cybersecurity skills and training requirement is consistent with the fourth pillar of the International Telecommunications Union's Global Cybersecurity Agenda (GCA), which calls for the development of a strategy to facilitate human and institutional capacity building to enhance knowledge across sectors.

> "Cybersecurity regulations are not only necessary but imperative to deal with both existing and emerging cyber threats which have the potential to undermine our collective digital dividends as a country."

16 https://safety4sea.com/wef-global-risks-report-2022/

17 https://www.isaca.org/go/state-of-cybersecurity-2022

Several countries have in place several strategic initiatives geared towards cybersecurity workforce development.
For example, Singapore has established the Cyber Security Associates and Technologists (CSAT) Programme and Cybersecurity Career Mentoring Programme as interventions to address cybersecurity skills and talent gaps. Cybersecurity workforce development is relatively in nascent stage within Ghana's cybersecurity development landscape even though private sector efforts have largely dominated the field. For example, ISC[2] and ISACA have been consistent in providing certification programmes to young graduates and professionals. Other cybersecurity training and capacity building organisations such as e-Crime Bureau Ltd, a cybersecurity and digital forensic firm, based in Ghana offer certification courses in cybersecurity and digital forensics.

However, the Cybersecurity Act, 2020 and the revised National Cybersecurity Policy and Strategy (NCPS) provide the framework for collaboration between government, academia, and industry to work together to develop a national framework for cybersecurity workforce development. Section 57 of Act 1038 which mandates the Cyber Security Authority to accredit cybersecurity professionals and practitioners is an important provision in the legislation to support this goal. In addition, the operationalisation of the provisions under the Industry Forum (Section 81) is expected to bring industry representatives in the cybersecurity sub-sector together to collaborate with the CSA on matters of such nature.

In line with the Strategic Initiative 3.09 of the National Cybersecurity Policy and Strategy (NCPS), there is the need for stakeholders to actively pursue and develop the local cybersecurity industry by promoting relevant investments and public-private partnerships. This initiative will promote the development of local talents and skills in cybersecurity among Ghanaians and facilitate the exportation of cybersecurity skills, services, and products in the sub-region. The revised policy and strategy recognise cybersecurity workforce development as a national imperative towards achieving a self-reliant nation in cybersecurity matters.

In the era of digital evolution, it is imperative for enterprises and especially the finance sector to consider cybersecurity workforce development in their strategic business growth. Businesses are advised to consider mentorship, career guidance, talent development and professional development programmes towards developing their required cybersecurity manpower needs, for the short, medium, and long term cyber-driven business goals.

Creating a Culture of Cybersecurity towards a Knowledge-Based Digital Economy

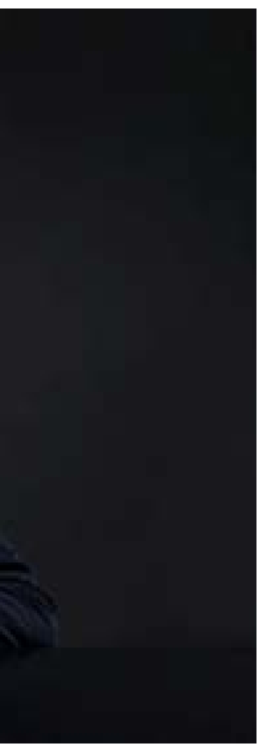
The WEF's 2022 Global Risks Report has identified that 95% of cybersecurity issues can be traced to human error. This should not surprise us as the human factor is the most important element of the cybersecurity chain. ENISA describes the concept of Cybersecurity Culture as the knowledge, beliefs, perceptions, attitudes, assumptions, norms, and values of people regarding cybersecurity and how they manifest themselves in people's behaviour with information technologies[18]. It entails making information security considerations an integral part of an employee's job, habits, and conduct, embedding them in their day-to-day actions.

Given that society has become largely digitalised, Cybersecurity policies and strategies require that relevant parties understand, recognise, and comply with the core principles of the security policy.

The International Telecommunications Union (ITU) considers national governments to have the ultimate responsibility for leading systematic efforts to bring about a cybersecurity

18 ENISA - EU Cybersecurity Initiatives in the Finance Sector 2021 Report

culture in collaboration with other relevant stakeholders. A culture of security which aligns with the fourth pillar of the GCA thus focuses on capacity building mechanisms to raise awareness, transfer knowledge and boost cybersecurity on the national policy agenda. The United Nations General Assembly (UNGA) also encourages the promotion, development, and implementation of a robust global culture of cybersecurity because the Assembly considers confidence and security in the use of ICTs as part of the main pillars of the information society.



As a strategic measure of extending knowledge underpinned by a coherent cross-sector approach to deepen understanding of cyber threats, vulnerabilities and risks, many countries including Singapore, Mauritius, UK, USA, Rwanda, Tanzania, and Ghana have established *Cybersecurity Awareness Programmes to* foster a culture of information security, to improve cybersecurity awareness and mainly to improve the country's cybersecurity culture and encourage adoption of good cyber hygiene practices. Ghana's policy and strategy acknowledges that a strong culture of cybersecurity could reduce the likelihood and impact of attacks on the country's critical information infrastructures (CIIs). In terms of establishing a cybersecurity culture, Ghana's approach since 2017 is based on fostering awareness creation, incident reporting and a compliance culture. These are mandated by the Strategic Objectives 6.0.3.1 of the National Cybersecurity Policy and Strategy and Section 60 of the Cybersecurity Act, 2020 (Act 1038). A 5-year awareness creation program (Safer Digital Agenda) was launched to that effect by the Vice President of Ghana in October 2018 to build capacity and raise awareness on cybercrime/cybersecurity among Children, the Public, Businesses, and Government institutions. A flagship initiative under this programme i.e., the National Cyber Security Awareness Month (NCSAM) is organised in October yearly to promote a safer cyberspace.

There is the need to intensify awareness creation on cyber risks at the enterprise level, whilst promoting appropriate incident reporting and response practices by businesses, including the establishment of enterprise level computer emergency response teams (CERTs) and Security Operation Teams (SOCs) to further improve our ability to detect, prevent and create awareness of cybersecurity incidents.

Research and Development towards Self Reliance

Research and development provide a better understanding of weaknesses in systems and networks and of how to protect them. An R&D framework is also required to investigate the current and emerging cyber challenges in order to develop appropriate cybersecurity responses including cybersecurity solutions. The *Institute for Information Infrastructure Protection* (I3P) reveals that many attempts have been made to deal with cybersecurity problems, especially in the banking and financial sectors without really understanding the economic contexts, laws, regulations, and government policies[19].

The *National Cyber Security Research and Development Challenges,* an I3P report indicates that industry, academia, and government perspectives all agree that cybersecurity challenges cannot be managed or prevented by any single research department or institution. The implication is that a collaborative research effort is needed to manage and provide solutions to the evolving cybersecurity issues in today's digital space.

In Singapore, the government adopted the *National Cybersecurity Research and Development Programme* (NCR) which seeks to develop research and development expertise and capabilities in cybersecurity for the country[20]. Section 61 of Ghana's Cybersecurity Act, 2020 provides for the promotion of Research and Development of cybersecurity. This is further evident in section 6.0.3 of Ghana's *National Cybersecurity Policy and Strategy.* It is therefore imperative for institutions and industry to see research and development as a priority area to support cybersecurity development initiatives. Collaboration among government, academia, and industry, including the banking sector is required to effectively

19 https://www.nrf.ac.za/wp-content/uploads/2022/02/NRF-Annual-Report-2020-21-final.pdf

20 https://www.nrf.gov.sg/programmes/national-cybersecurity-r-d-programme.

implement the R&D provisions in the Cybersecurity Act, 2020.

Sustainable Financing for Cybersecurity Development

Data breach costs rose from USD 3.86 million to USD 4.24 million in 2021, the highest average total cost in 17 years[21]. As governments are rapidly scaling up their investments in digital technologies, cybersecurity has become a pressing concern to ensure a safe and secure digital transformation for all. Governments are therefore required to provide sustainable financing which will cover comprehensive cybersecurity capacity development, including cybersecurity assessments, cybersecurity technology and systems development, capacity building and training programmes, among others.

In 2021, the UK Department for Digital, Culture, Media, and Sport sought support from parliament, for an amount of £700k to help boost cyber security growth across the country[22]. In Singapore, the Cybersecurity Co-Innovation and Development Fund (CCDF) has been established to support the development of innovative cybersecurity solutions to meet national cybersecurity needs with an award up to S$1,000,000 a year[23]. Similarly, the Cybersecurity Capability Grant (CCG) aims to attract global and regional Financial Institutes (FIs) to anchor or expand key cybersecurity functions and operations in Singapore. It also helps FIs deepen and enhance their cybersecurity capabilities in key functions already anchored and operating in Singapore, beyond basic regulatory requirements.

Sections 29 and 30 of the Cybersecurity Act, 2020 (Act 1038) provides for the establishment of a Cybersecurity Fund to provide financial support to promote and strengthen the cybersecurity of the country. This fund, among other things, is to support the implementation of cybersecurity programmes and to support research and development in cybersecurity. Implementation of this provision is imperative for a sustained development of Ghana's cybersecurity which has seen significant improvement since 2017 according to the ITU's Global Cybersecurity Index (GCI); a major progress from 32.6% in 2017 to 86.69% in 2020[24].

The banking sector which is among the most matured Critical Information Infrastructure sectors require specific financial investment in cybersecurity. Banks will need to fund a number of cybersecurity programmes including recruitment of cybersecurity talents, investment in cybersecurity systems such as enterprise level CERTs/SOCs, cybersecurity certifications for IT/Cybersecurity teams and general awareness on cybersecurity essentials for the Board, Management, and general staff, among others. Investment in measures to improve cybersecurity incident and information sharing is also recommended.
A dedicated budget by banking sector enterprise for cybersecurity development is therefore a critical imperative as we rethink cybersecurity in the era of digital revolution.

Conclusion

Digital development in the last few years has changed the way of life on the planet. This requires a rethink of how we approach cybersecurity by states and enterprises. This article has established the relationship between digital transformation and the evolution of cybercrimes as well as the need to prioritise cybersecurity activities.

In rethinking cybersecurity, effective regulation is required to ensure an orderly development of this important sector. Workforce development to address skills and talent shortage and requirements has been highlighted. Creating a culture of cybersecurity among the public, by enterprises and in government is a critical imperative to achieve a resilient digital ecosystem. It is important that we pursue research and development as we hope to achieve some level of self-reliance through collaboration with relevant players – domestically and at the international level. Ultimately, sustainable financing should be considered as a critical imperative to achieve a sustained cybersecurity development for a resilient digital ecosystem.

21 https://www.ibm.com/security/data-breach

22 https://www.gov.uk/government/news/700k-investment-to-boost-cyber-growth-across-the-uk

23 https://www.csa.gov.sg/programmes/co-innovation-development-fund.

24 https://csa.gov.gh/csa_rank.php

Evolving Retail Banking Models

Charlotte Obeng
Strategy & Operations, Advisory

THE FUTURE OF OUR RETAIL BANKING LANDSCAPE

An interplay of dynamic forces have redefined the retail banking landscape

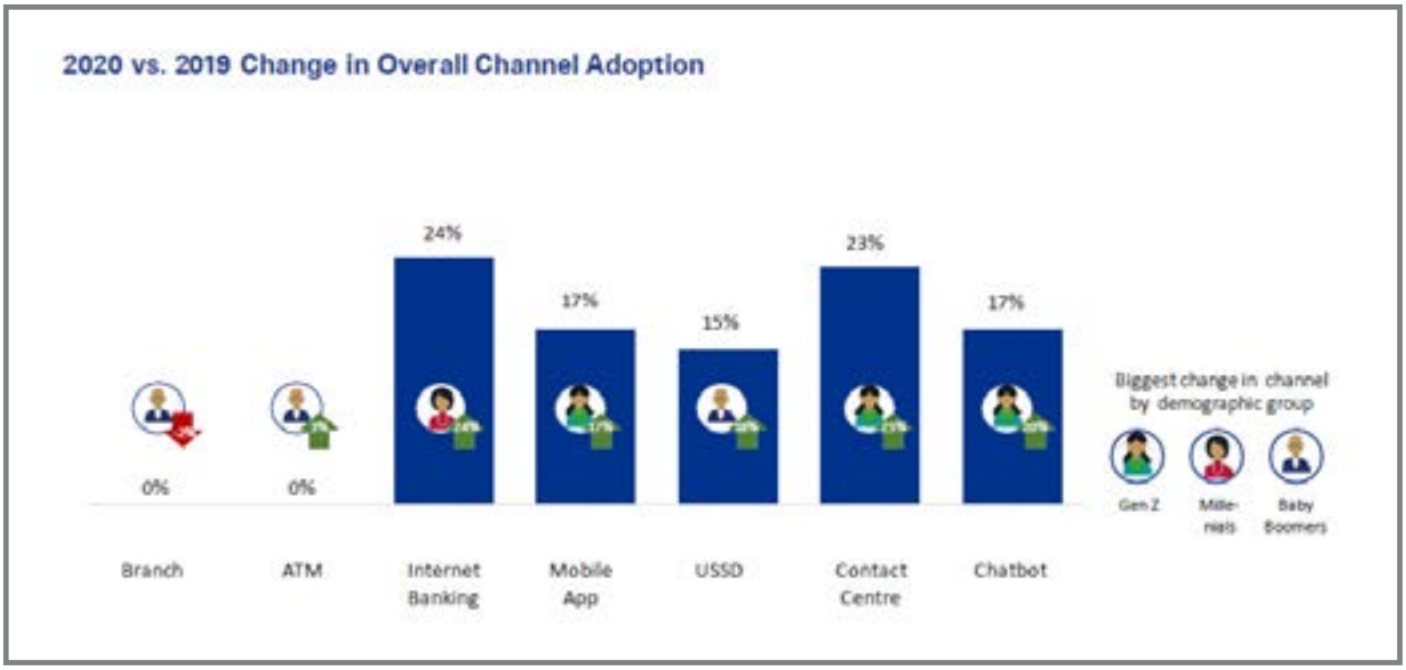
By any accounts, the past few years were filled with uncertainty throughout the global banking industry. A result of the multitude of changes bubbling over in the banking landscape. These include macroeconomic shocks, geo-political risks, a pandemic, new regulation, technology, shifting customer demographics and expectations. In addition, we observe very aggressive competition ,cost pressures and inherent operating models issues. For many players in the banking industry, the headwinds also present opportunities for innovation and differentiation that make an impact. For most retail banks, the strategic question for executive management me is 'Which retail banking model will help meet the evolving customer expectations, obtain market share and justify the needed investments?'

How are Retail Banking Models Evolving?

At KPMG, we believe that retail banking will continue to evolve and look different from what it is today. Around the world, we see indicative signs that seem to foretell the fall of traditional banks as disruptive new entrants win market share, head share and wallet share. These disruptors are offering significantly better customer experiences, user-relevant new products and making them accessible to many people through many different channels.

Despite the emergence of new competitors and models, the traditional retail banking model (networked branches) still has an advantage. The fundamental concept of a trusted institution helping people to store value, a source of financing and facilitator of transactions is not about to change overnight. However, much of the landscape will evolve in response to shifting customer expectations and preference for digital, regulatory requirements, technology and new competitors. While we may not yet be at the tipping point in our local industry, the activities of incumbents and innovators are bound to stage a complete shift in retail business and operating models.

A study by KPMG across Africa revealed an upsurge in digital channel adoption in 2020 from 2019, articulating some of the trends we observe in the changing preferences of the banking industry's customers.



Source: Digital Channels Scorecard for Leading Retail Banks in Africa

Customers no longer view their experiences in an industry silo. They expect their banks to focus on creating an experience paradigm that nurtures their needs, builds trust, and exceeds expectations. In relation to this migration towards digital channels, key customer expectations when it comes to user experience include:

Easy accessibility: Banks need to provide digital channels on platforms that are commonly used by the new generation of consumers. For instance, 60% of digital natives will rather leave their wallet at home instead of their phones2 which shows that to reach the new generation of consumers, channels should be built and optimised for mobile.

Real-time/ near real-time care — Big tech companies have redefined customer care — 70% of digital natives say instant support is key to building loyalty3_ Banks need to create channels for quick resolution of customers' issues. Achieving the best experience in this regard transcends the channels and focuses more on connecting the front, middle, and back-office systems and processes.

Reliability — Customers get onto digital platforms to achieve different goals — and an increasingly discriminating competency of platforms is service reliability. Customers will stick with platforms that allow them to achieve their goals all the time.

Personalised services — The new customer expects products and services to be tailored to their specific needs. Thus, digital experiences that win are those that leverage data insights to deliver truly personalised experiences on the digital channels.

As an example, while a feature-rich mobile app may have been a unique differentiator in Ghana pre-pandemic, it is not necessarily the case any more. After two years of online shopping and curb-side delivery, remote working or schooling, virtual meetings and interviews, consumer expectations for banking experiences may not be addressed by more functions on an app. Now, customers expect all banking experiences to be seamless regardless of channel. Also, we see rising expectation for personalisation. Increasingly, retail customer don't have just the choice but also the ability to compare and measure their banking experiences against service experiences from other providers across many different verticals like Amazon, Netflix, healthcare providers etc.

What is Your Strategic Positioning?

Right now, more than ever, banks need to set their strategic positioning for the posture they'll adapt to stand amidst these changes. Banks are faced with strategic dilemma-whether to be a leading innovator making waves in unchartered waters or a runner-up who observes evolving trends and sizes the market up to craft their response. Certainly, being conservative and risk-averse defender of market position, or putting off change and digital transformation is a bad strategy. Indeed, staying the same is not an option.

We believe that the winners now and into the future will not only execute relentlessly against today's imperatives, but will also innovate and transform themselves to prepare for the future. This future will require institutions to be agile, open and ready to explore different options in an uncertain world serving far evolved customers.

Business models have been reinvented. Supply chains have been restructured. Work that we assumed required being in an office has been reimagined. Productivity, we now know, can thrive virtually. How do you capitalise on this new momentum?

How do you accelerate the innovation we have tapped? How do you optimise our business models and operations for success beyond what we have now come to call 'the new reality'?

SIGNALS OF CHANGE

To help identify the blinking signals of change that are most critical for retail banks to create enabling and successful futures, we highlight the indicators that are reforming retail banking models. They will be critically important as we set out to reinvent a profoundly different tomorrow. In presenting these signals, we aim to help leaders chart their best courses to profitable growth.

All 5 Signals present opportunities—and incentives—for banks to embrace change, evolve business models and position themselves for growth.

Customer

The global impact of COVID-19 has accelerated consumer expectations and shifted priorities. The banks that are able to deliver seamless and personalised experiences to their customers, based on relevant data and insights, are now best placed to grow market share. E.g. Some innovators in our banking ecosytem have enabled their digital and USSD platforms with thoroughfare account opening.

Challengers

Incumbent banks are being challenged in the market by a combination of neo banks and non-traditional participants. In the long-run, alternative solution providers that meet unique needs of customers more effectively and affordably will win. In Nigeria, MTN has obtained a banking license. A similar feat in Ghana would be a major disruption to bank, particularly in the retail mass market and bottom of the pyramid.

AfCFTA

The prospects of market diversity that AfCFTA presents, opens the retail banking up for customer choice; more so from new and stronger entrants indigenous to the continent. On the other hand, banks in Ghana are presented with the opportunity to scale up operations and to enter new frontiers or to enter complementary cross-boarder partnerships to facilitate seamless transactional capabilities.

Regulatory

The Bank of Ghana demonstrated its commitment to supporting the health and wellbeing of Ghana's banking industry. The banking sector reform and measures during COVID-19 are indicative that the regulator will likely take an interventionist approach, where needed, to drive greater sector resilience, enhance cyber security, protect data and support vulnerable customers. Retail banks will need to remain agile especially in their risk management amd compliance.

Technological

Technology will continue to redefine the relationship between customer and retail bank. Banks need to prioritise their investment in current technologies in order to enable profitable growth and future agility, as well as to substantially reduce the cost of operations. Investing in data and analytics capability to draw insights that inform intelligent executive decision making and to support frontline sales force will be critcal.

HOW TO INTERPRET AND USE THESE SIGNALS

Assess

Start by understanding what the signals mean for your business. How strong are the signals in your industry and market segment? Will the signal shift sources of competitive advantage? Will existing profit pools dry up and others form? Which parts of your organisation face the greatest impact? Adopt a structured approach to assess the impact on different parts of your business, from customers and competitors to your balance sheet. Distil insights into a shared perspective that properly informs the leadership team, highlighting key issues, critical uncertainties, and fundamental decisions to be made. Openly discuss and realistically evaluate the choices available, encouraging dissenting opinions that look beyond the obvious to envision the full breadth of potential opportunities and risks the signals create.

Design

Design your strategic response to the signals, aligning on and communicating a plan for how to build your future. What future does your organisation want to build toward—and at a high level, how will it get there from its current position? What, if any, broad changes in your business and operating model are necessary to support the strategy? How will you mitigate potential wildcards ? These decision points require clear choices about strategic direction that can steer and empower your teams to bring your plan to life. The choices should be reviewed against existing initiatives, determining what should be accelerated, continued as planned, or stopped.

Respond

Respond to the signals through swift execution—and consistent iteration—of the strategic plan. Identify leaders within the organisation who will drive the response to the signals and hold them accountable for delivery. Cascade strategic responses to the signals into your planning process. Reallocate resources across business units, so teams have access to what they need to respond effectively. Test actions that your team believes will realise leadership's strategic intent. Based on their findings, teams can then adapt their actions to optimise your organisation's objectives and share their insights.

Reinforce

Put in place clear measurements and incentives to encourage change. Track the effectiveness of your responses to the signals. Look constantly for indicators that the signals are gaining or declining in strength. Tie these indicators back to specific strategies and actions—detailing how various levels of signal strength indicate how and when certain responses should begin and end. Feed the insights that you gained into reassessments of the signals and your organisation's evolving strategies.

Source: KPMG Connected Enterprise for Banking : Future of Retail Banking

A SUCCESSFUL RETAIL BANK REQUIRES A WINNING BUSINESS MODEL

Banks that will rule the future must have a robust and dynamic operating model to evolve alongside the changes happening in the global and domestic socio-political and economic climates.

A successful operating model is built upon eight connected capabilities and the market leader will require maturity across all 8 capabilities to maintain their competitive advantage.

KPMG Connected Enterprise for retail banking is a customer- centric approach to digital transformation that is designed to connect the front, middle and back offices. It focuses every process, function, and relationship of the organisation on meeting customer expectations, creating business value and driving sustainable growth.

The approach defines eight clear capabilities of a connected enterprise. Research shows that firms that make a moderate or significant investment in all 8 capabilities are 2x (on average across sectors) as likely to deliver excellence in customer experience (CX) and good return on investment (ROI).[a]

Insight-driven strategies and actions	Innovative products and services	Experience-centricity by design
Seamless interactions and commerce	2x* Impact	Responsive operations and supply chain
Aligned and empowered workforce	Digitally-enabled technology architecture	Integrated partner and alliance ecosystem

Note: (a) Base: 1,299 professionals involved with customer-centric strategy decisions.

Source: A commissioned study conducted by Forrester Consulting on behalf of KPMG, September 2018.

In our post-pandemic economy, cost and competition remain a major concern

Banks

Drive cost transformation to fortify reserves and rationalise

Fintechs

Competition threatening incumbent's margins, customer base, and market share

Staying relevant in this era of evolution will require new value creation

Build

- Banking-as-a-Service to unlock latent market potential
- Scalable, agile and intelligent digital capabilities on the cloud
- Data ecosystems to amplify value creation
- Digital-only subsidiaries to curate FinTech inspired customer journeys

Deliver

Hyper-personalised and contextualised banking experience embedded in customer lifestyle

- Intelligent Identity and Access Management (IAM) solutions becoming the foundation for experiential digital banking services
- Banks are progressing from greenwashing to comprehensive sustainable business strategies with equal focus on the environment as well as social responsibility

While keeping an eye on the next wave of banking evolution

- 5G will power the new age of hyper-connectivity featuring real-time banking and instant customer gratification
- Decentralised Finance (DeFi) enabled by blockchain and smart contracts to usher banking into a new era of efficiency and transparency

Source : KPMG Banking Industry Insights, Capegemini Top Trends in banking

MAKING IT HAPPEN

KPMG Connected Enterprise for Banking is an insight-led, customer centric approach to digital transformation.

In KPMG's professional experience, there are a number of key considerations that can help retail banks make faster progress on the connected journey:

1. **Keep close to what your customers want.** The ability to think, outside in, is key in building a customer-centric business. Ensure you know and act on what your customers want, need and value; keep continually looking up and outside of the organisation and industry to ensure alignment with the best customer experiences in day-to-day life.

2. **Do things in an agile way.** Break changes down into specific steps, sequence them and implement. Keep standing back to assess whether the change has been successful in a 'test and learn' approach. It's about a series of small changes that together add up to a significant and impactful transformation.

3. **Build in resilience.** Take on today's challenges with resilience and determination, and be prepared to expect the unexpected, fail fast and learn along the way. By developing a connected enterprise architecture, you will find your ability to change course at speed is significantly enhanced.

4. **Keep it human.** While embedding new technologies such as AI and automation are likely to be critical in developing more seamless interactions for customers, remember that you also need to keep the experience 'real'. Great organisations remain defined by the quality and passion of its people and its sense of purpose.

5. **Make use of new technologies.** Continually look at what new technologies are becoming available that could help you serve customers better or make internal processes more fluid. Experiment with the opportunities available through cloud, machine learning and advances in data science.

> "Banks that will rule the future must have a robust and dynamic operating model to evolve alongside the changes happening in the global and domestic socio-political and economic climates."

Our approach is centered on improving all the eight connected capabilities across the enterprise to the level which provides the greatest value. These connected capabilities map to the operating model of a retail bank and will allow you to prioritise, shape and execute your digital transformation.

KPMG firms help banks to evaluate their maturity across these connected capabilities, shape their transformation agenda and plans, and then deploy improvements in the capabilities across the enterprise with the aim of providing the greatest value.
KPMG professionals' experience of working in digital transformation has informed a set of accelerators, including a range of configurable SaaS solutions from leading technology providers, that enables us to provide a faster means of achieving transformational results.
With the customer at the core, there are five critical questions retail banks should ask themselves:

1. Are you connecting your customers with compelling value propositions, opportunities and interactions?

2. Are you connecting and empowering your employees to deliver on the customer promise?

3. Are you connecting your front, middle and back offices to execute the customer growth agenda?

4. Are you connecting your ecosystem of business partners to jointly deliver on commitments to customers?

5. Are you connecting to market dynamics and digital signals?

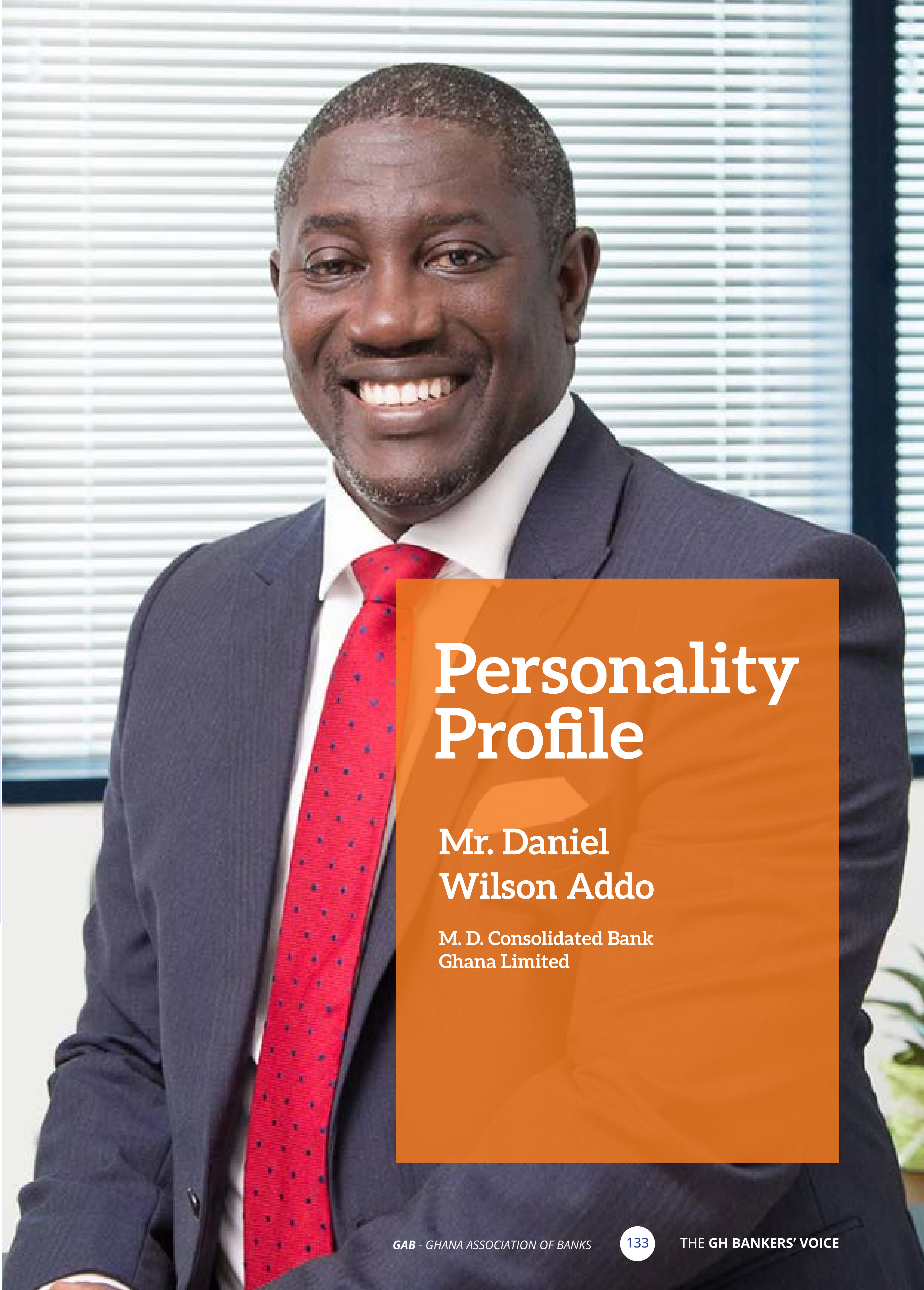
CONCLUSION

Any banking executive worth their salt knows how to prioritise. However, this isn't a situation where one or two of the trends we explored earlier takes top billing. For banks to compete and thrive in this environment, they must be able to manage their responses to these trends all at once and of course in various degrees of intensity depending on their unique context. This requires a concerted effort that should involve all parts of the organisation. This transformation goes well beyond technology but starts with a clear vision, a well-designed strategy with goals and metrics, empowered teams, iterative work, and partners that can support the hard work of business model redesign.
KPMG's financial services capabilities can help banking organisations with this juggling act. Our business consultants have experience working within and with banks in Ghana in defining a vision, a strategy, and a roadmap. Our designers and User Expericence (UX) experts can build the digital and cross-channel experiences that consumers are looking for. Our experts can help establish and drive a culture of innovation and collaboration within your organisation. Our people and culture experts can help manage the human capital and capability changes required to drive transformation. We can help with all the heavy lifting.

> "This transformation goes well beyond technology but starts with a clear vision, a well-designed strategy with goals and metrics, empowered teams, iterative work, and partners that can support the hard work of business model redesign."

Source: KPMG Connected Enterprise

Banking: Future of Retail Banking
To learn more click here: home.kpmg/connectedbanking



Personality Profile

Mr. Daniel Wilson Addo

M. D. Consolidated Bank Ghana Limited

Personality Profile

Mr. Daniel Wilson Addo

M. D. Consolidated Bank Ghana Limited

Consolidated Bank Ghana Limited, simply called CBG, remains an indigenous universal bank licensed by the Bank of Ghana (BoG) under the Banks and Specialised Deposit-Taking Institutions Act of 2016, Act 930, to transact financial business.

CBG commenced operations on 1st August, 2018. It remains a state-owned banking institution with over 114 branches across 13 regions in the country. As a corporate body, CBG believes it is uniquely positioned with archetypal strengths to leverage on services provision and products delivery to customers and consumers. Further, the Bank is strategically positioned to leverage on its branch networks (the second-highest number in the country), technology, balance sheet size; and above all, people.

QA

Mention and congratulate MD on any awards, key successes or milestones in the opening

Mr. Daniel Wilson Addo is the Managing Director (MD) of the Consolidated Bank Ghana Ltd. He has been MD since inception of the bank in August 2018. He has won the admiration of many because of his exemplary work in leading the bank from scratch. He has expertise in turning around distressed institutions at different times in his career; and has gained recognition and respect for that.

Mr. Addo's exemplary leadership style over the years did not go unnoticed; he has been duly recognised and rewarded. During the recent Ghana Industry CEO Awards, he won Ghana's Most Respected CEO in Banking (State Owned). He also received the Ghana-Development-Awards, for his contribution towards growth and development in the banking sector; and for providing trusted banking services in Ghana.

Brief career background of MD and underpinnings of his illustrious career

Mr, Addo is a Chartered Accountant with twenty-eight (28) years post qualification experience. He was trained by KPMG after completing the Institute of Professional Studies (now University of Professional Studies) in 1991. He holds an MBA in Finance from the Manchester Business School; and a Fellow of the Chartered Institute of Bankers, Ghana. He has decades of extensive banking experience both locally and internationally. Daniel sits on the Global Advisory level of the Commonwealth Enterprise and Investment Council in England.

Kindly share information on any special charities you support; or community initiatives you would like to highlight

While the Bank operates with a strong commercial focus, CBG seizes every opportunity that transcends financial results for the broader community; in line with the Bank's community value strategy of promoting youth empowerment, education, sports and health.

The Bank donated money to the Village of Hope at Gomoa Fetteh in the Central Region to feed vulnerable children in 2020. During 2021, CBG contributed to the Ghana Journalists Association's "Mask Up a Child" campaign; and supported the Roofing project for Ghana Prisons. The Bank also provided Personal Protective Equipment (PPE) to Ministry of Health; donated hospital beds to the Ledzokuku Krowor Municipal Assembly (LEKKMA) Hospital; 100 laptops to the needy, but Brilliant Students' Initiative (Sonsol Project) in KNUST during 2020 & 2022. Last year, the Bank funded the construction of some toilet facilities for the mentally challenged at the Kith Home Care in Takoradi.

SME Smart & Advance Loan

The Bank has quite a number of interesting products that are uniquely tailored to meet specific needs of existing customers and prospects. One of the Bank's products that receives high patronage remains its flagship product the Smart & Advance Loan. This is an unsecured loan product specially tailored to meet the needs of Micro, Small and Medium Enterprises (MSMEs) who generate daily revenues. The purpose of this facility is to meet urgent working capital needs.

The loan amount ranges from as low as GHS5,000, targeting Micro Businesses to GHS75 million targeted, at Medium Businesses.

Product Features

Key product features of the Smart & Advance loan product are as follows:

- **Flexible repayment tenure:** The loan facility has a flexible repayment tenure of up to 18 months. The borrower can choose the plan that would not affect hir or her usual cash flow cycle.
- **Prepayment charges:** No penalty for early repayment.
- **Collateral:** No collateral is required
- **Eligibility:** Targeted at MSMEs registered in Ghana with good credit history; and each MSME has at least 6 months credit turnover with CBG.
- **Turnaround time:** Utilises technologically enabled analytical loan processing platform, leading to quick processing and disbursement.

> "In order to transform the product ideas into practice, CBG, designed the Smart & Advance Loan; evention of this product allowed CBG to fill significant financial services gap by providing tailormade solutions for these MSMEs that do not require any security."

Why Smart & Advanced Loan is a great innovative solution for MSMEs in Ghana

Access to financing has been a challenge to several MSMEs over the last 3 years. This could be attributed to inadequate or imperfect collaterals. Even though MSMEs contribute about 70% of the country's gross domestic product (GDP), access to credit facilities from banks has become a challenge; as they are unable to provide the necessary collateral.

However, research has shown that these MSMEs have the ability to repay loans. and Therefore, offering unsecured loan products would be a unique opportunity for CBG to take advantage of, explore and benefit from this large market segment. In order to transform the product ideas into practice, CBG, designed the Smart & Advance Loan; evention of this product allowed CBG to fill significant financial services gap by providing tailormade solutions for these MSMEs that do not require any security. Another unique service offering closely linked to the Smart loan is the Sika Collect mobile cash collection solution, which provides daily

cash and cheque pick-ups from the business location of MSMEs.

How would you describe CBG's stance on and commitment to ESG or Green Financing?

Environmental, social and governance (ESG) is very critical to CBG as a going concern Bank. ESG enables CBG to identify opportunities for continuous improvement; and to create a long-term sustainable business. Consolidated Bank Ghana Ltd, is committed to providing support to Corporates and SMEs with respect to activities that promote ESG.
The bank strongly incorporates ESG concerns in its business dealings instead of simply considering the potential profitability and/or risk presented. Having received approval for the Bank's first Environmental and Social Management Policy, CBG intends to progressively integrate environmental and social considerations into its credit appraisal processes to ensure sustainability on all fronts.

What would you say are the roles of ethics and technology application in the overall success of CBG?

The 21st century bank cannot succeed without paying attention to ethics. An effective ethics programme is required to ensure banks always operate ethically since unethical behaviour has the potential to erode all the successes of a bank. At CBG, customers are treated fairly and with respect; staff behave ethically and adhere to all regulatory requirement as directed by the Central.

Consolidated Bank Ghana Limited requires from its staff commitment to honesty, integrity, excellence and diligence whenever they conduct business on the Bank's behalf. If their conduct promotes the Bank's core values, they are doing the right thing.

For an ethics programme to be effective, technology cannot be sidelined. One way technology is used to enhance ethics at CBG is by deploying training resources for ethics and conduct online. Generally, staff training in ethics plays a pivotal role in shaping organisational culture; and in ensuring the success of banks. However, training comes with huge cost to implied banks. This notwithstanding, technology helps in reducing cost; has a far reach or wider geographic coverage; and meets training needs at staff convenience.

CBG has deployed whistleblowing channels through which unethical behaviours are reported. Face-to-face reporting would most of the time be very ineffective; it may give rise to retaliation; and may discourage whistleblowing altogether. The use of technology in this situation has always proven to be the way forward Implementation of whistleblowing portals, online and communication channels are some of the identified ways through which technology is applied to leadership; and to the success of ethical programmes at the bank.

CBG also uses technology to monitor behaviour, track and assess processes. Video recordings, risk assessment of third-party relationships, tracking of resolution of complaints are all ways through which technology is used to ensure ethical conducts at the Bank. Video recordings, for instance, are a way of ensuring staff are honest; and fair in their dealings with colleagues,

> **Ethics is important because banking thrives mainly on trust; and trust is influenced by professionalism and ethics (character).**

customers and consumers.
It is almost impossible to have an effective ethics culture without the use of technology. However, technology must be handled by the right people and for the right purpose.

What other thoughts would you like to share in support of why upholding ethics is important within the banking profession?

Ethics could aptly be described as a system of rules and standards of conduct for a banking institution and its staff. Ethics covers all aspects of a bank's operations: how it conducts its business; treats its customers; advertises its products and services; and how employees of the bank conduct themselves in the discharge of their duties. Ethics is important because banking thrives mainly on trust; and trust is influenced by professionalism and ethics (character). Without ethical standards, the banking profession would lose its credibility and go into extinction.

Below are few reasons why upholding ethics in banking is important:

1. Adherence to ethical standards preserves the reputation of banks and the banking profession. Since a bad reputation can ruin any bank, ethical conduct is required for the survival of any financial institution.
2. Ethical banking protects depositors' interests and maintains stability of the banking system. Every bank owes depositors a duty to protect their funds. This cannot be done without adherence to strict set of rules and procedures.
3. Observing ethical standards averts regulatory breaches and penalties or sanctions. A bank that operates unethically would surely be exposed to sanctions and penalties; which would eventually erode shareholder value.
4. Being ethical is a critical aspect of professionalism. Ethics, therefore, preserves the banking profession.

Stated differently, the banking professional cannot afford to be unethical.

What is the most significant goal that you hope CBG would have achieved at the end of 2022? Why do you consider this goal to be very important?

CBG intends to align with the government's digitisation agenda. For this reason, Management has declared 2022 as the year for Business Growth through Digitalisation. In line with this theme, CBG is transitioning from the current BUILD mode into the provision of FULL DIGITAL SERVICE. We aim to extend our digitisation drive to cover the unbanked segment of the national population.

Industry Outlook

Back from the Future-Ghana's Banking Industry Outlook

Back from the Future-Ghana's Banking Industry Outlook

Robert Dzato

Lead, Financial Services Strategy, KPMG in Ghana

Positive Outlook Amidst Pressure Points

In the maiden issue of GH Bankers' Voice, I expressed optimism and confidence that the outlook for the banking sector was positive. That hasn't changed. We also indicated that balancing that optimism with managing risk and getting it right on strategy execution was critical for CEOs to continue to deliver on their growth ambitions.

Across the key performance indicators, the post financial sector clean-up performance of the banking industry has been strong. The sector has seen a double digit growth in revenue, profits before tax, return on equity, deposits and total assets. The key pressure points of industry are elevated risk to asset quality and high cost to income ratio. The industry's non-performing loans averaged 15.2% and with cost income ratio of 55% in 2021.

Amidst the pressure points, we expect the banking sector to continue to grow and remain solvent. However, as pointed out in the previous edition of this magazine, there are a number of megatrends (some now more elevated than others) that will continue to shape and impact the banking industry's performance and outlook.

Megatrends and Themes Shaping Banking Industry Outlook

Lower Economic Growth and Sovereign Risks	Market volatility, Inflation and Central Banks' Policy Stance	Rise of Environmental, Social and Governance (ESG)
Changing Customer Demographic and Evolving Expectations	Talents Exodus, Future of Work and Leadership Succession	Changing Business Models- Ecosystems &Platforms
Digital Acceleration and Data-led decisioning	Technology Disruption and Rise of Fintechs	Cyber Security and Building Operational Resilience

Whilst predictions into the future are always fraught with uncertainty, we are confident these evolving megatrends will radically shape the banking landscape in Ghana. To different varying degrees, these themes individually and as a collective will be very important going into the future.

In our view, the market leading banks and CEOs understand that these factors present both risks and opportunities. Winners will be those who revalidate their strategic priorities and refine their business and operating models to respond and reposition their businesses for growth.

Building a connected enterprise, which takes a customer- centric approach to business transformation, consciously connecting the front, middle and back office capabilities will be critical for success. Relentless focus on meeting customer expectations and needs will be crucial to creating business value and driving sustainable growth.

Uncertain Macro Economic Environment

The macroeconomic environment for first seven months of 2022 could be described as turbulent and challenging for Ghana due to fiscal deterioration and price instability. The next twelve months could be even more unsettling and ambiguous. Across board room of banks, the top of mind question is how to successfully navigate the current macroeconomic turbulence. Could things get worse before they get better and how do banks manage the elevated risk to asset quality?

It goes without saying that economic forecasting is incredibly challenging in such a profound period of uncertainty, but it remains an effective tool for helping us to plot our course for the next months and years. Similarly, strategising beyond twelve months is difficult now more than ever, nevertheless, strategy remains a useful tool for banking industry players. To remain relevant, however, banks must revalidate their strategies often to take advantage of new market opportunities whilst taking the necessary measures to redefine their risk appetite, manage risks and respond to regulatory policy changes

Customer Experience Centricity

That banking customers' demographic and expectations are evolving is stating the obvious. We are seeing generational shifts in customer profile of banks, which reflects demographic shifts in the general population of Ghana. Today, the bulk of Ghana's population is in the Gen Zs, which accounts for 58%(18.1mn) while millennials account for 21% (6.5mn). These two generations are not only getting bigger in number but in wallet as well. The way they make decisions is beginning to influence the way others make decisions as well and this influence is bound to grow.

In the last edition of this magazine, we asserted that customer obsession was the new battleground. This remains true. Most of our banking clients recognise this fact and most importantly, some are taking strategic actions to move the needle on customer experience.

Increasingly, the C-suites get it that banking services and products are becoming commoditised. The point of differentiation now is customer experience-centricity.

To transform the customer experience, first, you must understand that your customers have changed or are changing. Leveraging your existing data (inside-out) and voice of the customer surveys (outside-in) perspectives to define the personas in your customer base will be crucial.

Second, define the customer experience (CX) strategy and align the entire organisation (front office, middle office and back office) around the customer's need and CX vision.

Third, determine how you will connect with and serve your customers leveraging technology and new channels. Face to face will remain useful for some

Gen Z*
Born 1995 – 2018+

The generation reaching adulthood in the early 21st century. They are also hailed as "the first tribe of true digital natives" or "screenagers"

Millennial
Born 1980 - 1994

Also known as Generation Y, they have been shaped by the technology revolution that saw computers, tablets and the web become central to work and life.

customers but COVID-19 has dramatically changed customer preferences and channel usage. In Ghana, we see mobile-first preference for Gen Z and Gen Ys. Lastly, reconfigure your operating model to serve the customer in the right way- achieve regulatory compliance and mitigate fraud and other risks.

A consistent approach to CX transformation is needed. KPMG Connected Enterprise is retail banking customer-centric approach to digital transformation that is designed to connect the front, middle and back offices.

Digital Acceleration and Data-led Insights

Post VOVID-19, we see banks in Ghana at different stages of digital maturity . We expect digital acceleration to continue driven by two main reasons. Firstly, customers demand it. Secondly, banks executives are under intense pressure to contain cost and achieve more efficiency in the current inflationary and high cost operating environment.

Beyond digital, we see opportunities for banks to leverage data and analytics (D&A) capabilities to become insight-rich around the customer. Banks are data rich and insight-poor. The battle for the customer is now about how much of the customer's behaviours and preferences a bank knows and how it is able to leverage the insights predictively to become an integral part of the customer's financial lifestyle.

To do this, first, it calls for data strategy. Banks must first look at their strategic objectives and answer two questions; how can we derive better value from the current data and how can the data be analysed for executive and real time decisions regarding the customer, to support frontline salesforce or relationship managers?
Second, to realise sustainable value from data, treat data as a strategic asset (data is the new oil). Third, invest in the D&A capabilities(D&A tools, skills and expertise). You do not need 100% accurate data or complete data to start.

Lastly, seek external support where necessary. We see some banks are met with the hurdles of data in silos, uncleansed data, legacy systems and simply lack proper data governance principles, etc. Data cleansing for analytics purposes is a project fraught with fraud risk and regulatory compliance in the spirit of Data Protection Act.

Platformisation and Changing Business Models

Technology disruption and the rise of fintechs will continue to redefine the business and operating models of banks. This was a trend already in motion, but the pandemic has accelerated its momentum. Industry players, through Ghana Association of Banks , are responding. The recent launch of GhanaPay reflects a strategic move to counter challengers (MTN MoMo and fintechs) which dominate the payment ecosystem and shaving away the business models of banks.

There are two more trends that are redefining business and operating models of industry players in Ghana.

First is alliance partnerships (ecosystem and platformisation).

> **We expect digital acceleration to continue driven by two main reasons. Firstly, customers demand it. Secondly, banks executives are under intense pressure to contain cost and achieve more efficiency in the current inflationary and high cost operating environment.**

Here, we see opportunity for banks to provide mobile platforms that leverage capabilities of third party partners to deliver core banking and lifestyle propositions around lifestyle needs of customers. The strategy here is to enable exceptional experiences and increase the bouquet of banking and non-banking solutions to customers.

Second, Environmental, Social and Governance (ESG) issues are gaining strategic importance not just globally but locally as well. Bank of Ghana issued sustainable banking principles in 2015 and we expect regulatory focus on this as well as IFRS 9 going into the future.

From KPMG's perspective, ESG should be watermark in business strategy of banks. ESG is gaining significant currency with investors and funding agencies. Going into the future, we believe banks will need to demonstrate through their business models how their lending policies and supply chain activities promote Climate Change & Decarbonisation, Economic & Social Development toward achieving the UN sustainable Developments Goals.

Talent, Culture and Ethics

COVID-19 can be described as the "great reset" on the future of work and talents. In many ways, working from home or remotely has come to stay. Amongst other things, there are emerging issues around organisational culture dilution, fraud and the need to shift from human resource management to managing deliverables.

Yet, there is another significant talent issues post the pandemic which will impact banks too. This is the "mass exodus" of talents and professionals from Ghana. In recent times, as in medical and nursing professions, professional services firms are suffering significant talent attrition to advanced markets mostly US, UK, Canada etc.

Banks need to take a cue and plan a forward-looking employee value propositions to attract, build and sustain the workforce needed to meet their business requirements. In the light of the recent industry fraud report by the Bank of Ghana , culture transformation and instilling professionalism and ethics in the banking industry in Ghana is an area of massive collaboration between the Central Bank, Chartered Institute of Bankers and the Ghana Association of Banks.

Conclusion

The Ghanaian economy and by extension the banking sector is facing some headwinds coming from macro-economic and geopolitical issues. Stories about interest rate rises, inflation, supply chain disruptions and pressures on costs are appearing in the news daily. In terms of outlook, these macroeconomic developments portend an elevated risk to asset quality and credit growth.

The above notwithstanding, we maintain a "realistically optimistic" outlook for the Ghana banking industry. We expect a double digit growth across key performance indicators for the banking sector in Ghana. With interest rates now back to pre 2016 levels, capital allocation will favour treasury and investment securities. Barring any unimagined events (for example, soveign debt default) we expect the banking sector to be profitable, albeit this profitability will be tapered by high cost operating environment and high tax burden on banks.

> **Banks need to take a cue and plan a forward-looking employee value propositions to attract, build and sustain the workforce needed to meet their business requirements.**

As outlined earlier, the key megatrends that we believe will continue to shape the outlook of the banking industry beyond the macro-economic issues include but not limited to the changing demographics and customer expectations, digital acceleration, cyber security and data and analytics, changing business models and platformisation, talents, culture, ethics and professionalism.

Yes, the headwinds facing the banking sector are strong. Nevertheless, according to Andy Grove (former CEO of Intel): "Crises destroy bad companies. Good companies survive them. Great companies are improved by them. "Banks must adapt to ride the storm. If it is a good crisis, don't waste it.

Glossary of Key Terms

Capital adequacy ratio
Is the ratio of adjusted equity base to risk-adjusted asset base as required by the Bank of Ghana (BoG)

Cash assets
Includes cash on hand, balances with the central bank, money at call or short notice and cheques in course of collection and clearing

Cost income ratio
Non-interest operating expenses/ Operating income

Financial leverage ratio
Total assets/ common equity

Liquid assets
Includes cash assets and assets that are relatively easier to convert to cash, e.g., investments in government securities, quoted and unquoted debt and equity investments, equity investments in subsidiaries and associated companies

Loan loss provisions
(General and specific provisions for bad debts + Interest in suspense)/ Gross loans and advances

Loan portfolio profitability
(Interest income attributable to advances - Provisions for bad and doubtful loans)/ Net loans and advances

Loan loss rate: Bad debt provisions/ Average operating assets

Net book value per share: Total shareholder's funds/ Number of ordinary shares outstanding

Net interest income: Total interest income - Total interest expense

Net interest margin: Net interest income/ Average operating assets

Net operating income
Total operating income – Total noninterest operating expenses + Depreciation and amortisation - Loan loss adjustment + Exceptional credits.

Net operating (or intermediation) margin
[(Total interest income + Total non-interest operating revenue)/ Total operating assets] - [Total interest expense/ Total interest-bearing liabilities]

Net profit before tax
Total Operating Income - Total Operating Expenses

Net spread
(Interest income from advances/ Net loans and advances) - (Interest expense on deposits/ Total deposits)

Non-interest operating expenses
Includes employee related expenses, occupancy charges or rent, depreciation and amortisation, directors' emoluments, fees for professional advice and services, publicity and marketing expenses

Non-interest operating revenue
Includes commissions and fees, profit on exchange, dividends from investments and other non-interest investment income, and bank and service charges

Non-operating assets
Comprises net book value of fixed assets (e.g., landed property, information technology infrastructure, furniture and equipment, vehicles) and other assets, including prepayments, sundry debtors and accounts receivable

Operating assets
Includes cash and liquid assets, loans and advances, and any other asset that directly generates interest or fee income

Profit after tax margin
Profit after tax/ Total operating income

Profit before tax margin
Profit after extraordinary items but before tax/ Total operating income

Quick (acid test) ratio
(Total cash assets + Total liquid assets)/ (Total liabilities - Long term borrowings)

Return on assets
Profit after tax/ Average total assets

Return on equity
Profit after tax/ Average total shareholders' funds

Shareholders' funds
Comprise paid-up stated capital, income surplus, statutory reserves, and capital surplus or revaluation reserves

Total assets
Total operating assets + Total nonoperating assets

Total debt ratio
Total liabilities/Total assets

Abbreviations

ABG	Access Bank Ghana Plc
ABSA	ABSA Bank Ghana Limited
ADB	Agricultural Development Bank Limited
AfCTA	African Continental Free Trade
AI	Artificial Intelligence
AML/CFT	Anti-Money Laundering/Countering of the Financing of Terrorism
BCBS	Basel Committee on Banking Supervision
BEC	Business Email Compromise
BOA	Bank of Africa Ghana Limited
BoG	Bank of Ghana
CAL	CalBank Limited
CBA	Collective Bargaining Agreement
CBG	Consolidated Bank Ghana Limited
CCDF	Cybersecurity Co-Innovation and Development Fund
CDD	Customer Due Diligence
CIB	Chartered Institute of Bankers
CIS	Collective Investmennt Schemes
CISO	Chief Information Security Officer
COCLAB	Committee for Co-operation between Law Enfocement Agencies and Banking Community
COT	Commission on Turnover
CSA	Cyber Security Authority
CSAT	Cyber Security Associates and Technologists
CSR	Corporate Social Responsbility
CX	Customer Experience
DCIS	Directors of Cyber and Information Security
DEMI	Dedicated Electronic Money Issuer
EBG	Ecobank Ghana limited
ECB	Energy Commercial Bank Limited
ECB	European Central Bank
EDD	Enhanced Due Diligence
EI	Executive Instrument
ENIAC	Electronic Numerical Integrator and Computer
ESG	Environmental, Social and Governance
ESRB	European Systematic Risk Board
FABL	First Atlantic Bank Limited
FATF	Financial Action Task Force
FBL	Fidelity Bank Ghana Limited
FBN	FBN Bank Ghana limited.
FIC	Financial Intelligence Centre
FNB	First National Bank
FSC	Financial Stability Advisory Council

FSRL	Financial Sector Recovery Levy
FYEF	Fidelity Young Entrepreneurs Fund
GAB	Ghana Association of Bankers
GCA	Global Cybersecurity Agenda
GCB	GCB Bank Limited
GDP	Gross Domestic Product
GDPC	Ghana Deposit Protection Corporation
GHS	Ghana Cedi
GRA	Ghana Revenue Authority
GRR	Ghana Reference Rate
GSMA	Global System for Mobile Communications Association
GTB	Guaranty Trust Bank (Ghana) Limited
IFC	International Finance Corporation
IFRS	International Financial Reporting Standards
IODs	Institute of Directors
ISO	International Organisation for Standardisation
IT	Information Technology
ITU	International Telecommunication Union
KYC	Know Your Customer
LECOB	Law Enforcement Committee of Banks
MD	Managing Director
MoF	Ministry of Finance
MoU	Memorandum of Understanding
MPC	Monetary Policy Committee
MPR	Monetary PolicyRate
MSMEs	Micro, Small and Medium Enterprises
NBFI	Non-bank Financial Institution
NBSSI	National Board for Small Scale Industries
NCPS	National Cybersecurity Policy and Strategy
NCSAM	National Cybersecurity Awareness Month
NCSC	National Cyber Security Centre
NFSL	National Fiscal Stabilisation Levy
NGO	Non-Governmental Organisation
NIB	National Investment Bank Limited
NIC	National Insurance Commission
NIM	Net Interest Margin
NPLs	Non-Performing Loans
NPRA	National Pensions Regulatory Authority
NSA	National Security Agency
OECD	Organisation for Economic Co-operation and Development
PBL	Prudential Bank Limited

PBT	Profit Before Tax
PCI	Payment Card Industry
PoC	Points of Contact
PSPs	Payment Service Providers
PWDs	Persons with Disabilities
RBL	Republic Bank Ghana Limited
ROA	Return on Assets
ROE	Return on Equity
S&P	Standard and Poor's
SaaS	Software as a service
SBG	Stanbic Bank Ghana Limited
SCB	Standard Chartered Bank Ghana Limited
SDGs	Sustainable Development Goals
SDI	Specialised Deposit-Taking Institutions
SEC	Securities and Exchange Commission
SG-GH	Société General Ghana Limited
SME	Small and Medium Scale Enterprises
SOCs	Systems on Chips
T-bills	Treasury Bills
TIN	Tax Identification Number
UBA	United Bank for Africa (Ghana) Limited
UMB	Universal Merchant Bank Limited
UNCTAD	United Nations Conference on Trade and Development
VAT	Value Added Tax
WEF	World Economic Forum
WHT	Withholding Tax
ZBL	Zenith Bank (Ghana) Limited

Connnect With Us

MANSA NETTEY

PRESIDENT, GHANA ASSOCIATION OF BANKS

No. 12 Tafawa Balewa Avenue,
GA-029-4444, North Ridge
Accra

Tel: +233-0302-667-138
0302-670-629
0508912091

JOHN AWUAH

CEO, GHANA ASSOCIATION OF BANKS

No. 12 Tafawa Balewa Avenue,
GA-029-4444, North Ridge
Accra

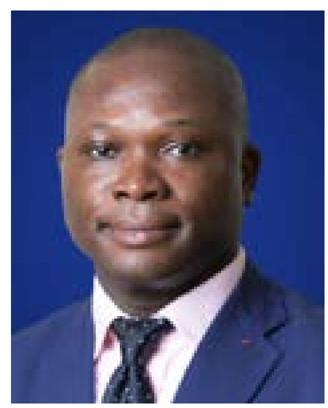
Tel: +233-0302-667-138
0302-670-629
0508912091

ANDY AKOTO

PARTNER, HEAD OF ADVISORY SERVICES

KPMG
Marlin House
13 Yiyiwa Drive
Abelenkpe
P.O. Box GP 242
Accra, Ghana

Tel: +233 (302) 770454, 770618
Email:
aakoto@kpmg.com
www.kpmg.com/gh



ROBERT DZATO

LEAD, FINANCIAL SERVICES STRATEGY

KPMG
Marlin House
13 Yiyiwa Drive
Abelenkpe
P.O. Box GP 242
Accra, Ghana

Tel: +233 (302) 770454, 770618
Email:
rdzato@kpmg.com
www.kpmg.com/gh

KPMG Contributors

DANIEL ADOTEYE
PARTNER, MANAGEMENT CONSULTING

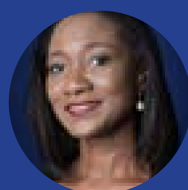
ANDREW AKOTO
PARTNER AND HEAD, ADVISORY

JOYCELINE COLEMAN
PARTNER, ACCOUNTING ADVISORY

KWAME S. BARNIEH
PARTNER, GOVERNANCE, RISK & COMPLIANCE SERVICES, ADVISORY

ROBERT DZATO
LEAD, FINANCIAL SERVICES, ADVISORY

GORDON DARDEY
TAX



AKISI ACKAH
HEAD, SALES AND MARKETS

KWADWO BOATENG
GOVERNANCE, RISK & COMPLIANCE SERVICES, ADVISORY

STEPHEN BERCHIE
ACCOUNTING ADVISORY SERVICES

ELIZABETH KWARTENG TEI
GOVERNANCE, RISK & COMPLIANCE SERVICES, ADVISORY

OSEI OWUSU-ANSAH
DEAL ADVISORY

FABIOLA AMEDO
IT ADVISORY

BENJAMIN DJAKPASU
GOVERNANCE, RISK & COMPLIANCE SERVICES, ADVISORY

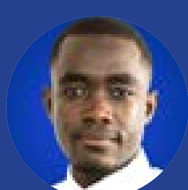
NANA ABABIOH OSEI POKU
AUDIT

MAUD AVEVOR
STRATEGY & OPERATIONS, ADVISORY

CHARLOTTE OBENG
STRATEGY & OPERATIONS, ADVISORY

JESSLYN ADDAE-KONADU
FORENSICS, ADVISORY

PRINCE ANNOR-ANTWI
STRATEGY & OPERATIONS, ADVISORY



CUDJOE ADIH
STRATEGY & OPERATIONS, ADVISORY

BENJAMIN TERKPER
SALES & MARKETS

KENNETH AGYEI-DUAH
GOVERNANCE, RISK & COMPLIANCE SERVICES, ADVISORY

BERNARD OWUSU-ANSAH
GOVERNANCE, RISK & COMPLIANCE SERVICES, ADVISORY

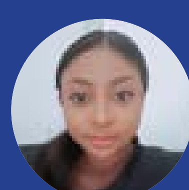
OSEI-ASENSO ANTWI
GOVERNANCE, RISK & COMPLIANCE SERVICES, ADVISORY

GAB Contributors

DR. EBENEZER ASHLEY
EXECUTIVE HEAD OF RESEARCH, MEDIA, BUSINESS INTELLIGENCE & MARKET CONDUCT

MRS. AUDREY MNISI MIREKU
BANKING OPERATIONS, RISK & CYBER SECURITY SPECIALIST

MR. DAN OPARE
CONVENER, SECURITY, COMPLIANCE & ANTI-MONEY LAUNDERING



MS JANE KEZIAH KARIKARI
ADMINISTRATIVE MANAGER

MR. LAWRENCE SACKEY
RESEARCH MANAGER

MS. RITA ALIFO
ADMINISTRATIVE ASSISTANT