

# 2011 ANNUAL REPORT

CENTRAL SECURITIES DEPOSITORY





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# CENTRAL SECURITIES DEPOSITORY (GH.) LTD.

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# 2011

## ANNUAL REPORT





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## 1.0 OUR VISION

The CSD seeks to be among the leading global institutions providing efficient depository services to the financial markets to promote investments and economic growth in Ghana and the Sub-region

## OUR MISSION

To provide secured and dependable clearing, settlement and depository services to Government Securities and Money Markets in an efficient and cost effective manner.

## 2.0 PREAMBLE

The establishment of the Central Securities Depository (CSD) was a vision embodied in the Ghana Financial Sector Strategic Plan (FINSSP) which sought to reform the financial system to attract investors into the Ghanaian economy.

In January 2002, the National Bond Market Committee as one of its recommendations proposed the establishment of a Depository to handle all securities in Ghana.

The Bank of Ghana in September 2003 spearheaded the establishment of the Central Securities Depository (CSD) alongside an Electronic Auction System to handle the issue, custody, dealings and redemption of securities. This led to the establishment of an Implementation Committee to facilitate a smooth implementation. Membership was drawn from the Ministry of Finance, the Ghana Stock Exchange and Bank of Ghana.

The CSD started operations in November, 2004 as an internal unit of Bank of Ghana to facilitate the issue and redemption of Government of Ghana and Bank of Ghana securities and also provide custody and registration services to these securities.

## 3.0 COMPANY PROFILE

### 3.1 Ownership of Central Securities Depository (GH) Ltd

Central Securities Depository Ghana Ltd. (CSD) is an institution that keeps the register of electronic or dematerialised securities issued by Government of Ghana, Bank of Ghana and Ghana Cocoa Board. The CSD was incorporated in June, 2010 as a fully owned subsidiary of Bank of Ghana

### 3.2 Mandate of the Central Securities Depository

The mandate of the Depository includes the following;

- reduce risk and improve efficiency in the securities market.
- support effective clearing and settlement system in the securities market
- provide safe custody of issued securities
- promote investments and economic growth in Ghana and the Sub-region

### 3.3 Legal Framework

The legal framework for the operations of the depository is enshrined in the Central Securities Depository (CSD) Act 2007, (Act 733). The Act includes provisions for:

- Establishment and functions of Central Securities Depositories
- Admittance and dematerialisation of securities
- Securities accounts and records
- Securities transactions and entries
- Security, secrecy and investigation provisions
- Establishment of Guarantee Fund

The Central Securities Depository (CSD) is regulated by the Securities and Exchange Commission (SEC). The day-to-day activities of the CSD are governed by the CSD Operational Rules and Procedures.



# CHAIRMAN'S REPORT

## Introduction

On behalf of the Board of Directors and the Management team of the Central Securities Depository (CSD) (Gh) Limited, I welcome all of you to the First Annual General Meeting (AGM) of the company. We are here to present our Annual Report and Financial Statement for the year ended 31st December, 2011.

Even though the company was incorporated on 10th June, 2010 and the Board of Directors inaugurated on 8th September, 2010, the autonomy of the company was actualised in 2011. During the year, five officers who were on secondment with the Company reverted to the Bank of Ghana and eleven new officers were recruited to form the nucleus of the Company. The CEO and the three Heads of Department who were also on secondment were however maintained to ensure a smooth transition. On 1st April, 2011 the CSD relocated to its refurbished offices on the 4th Floor of the Cedi House.

## Financial Review

The CSD operated basically on the set-up capital that was provided by the shareholder. At the close of the year 2011, the capital of the company stood at GHS 2,464,987. During the year, proposed charges for the various services provided by the company were discussed with all stakeholders and were finally approved by the Securities and Exchange Commission. Some of the charges (Initial registration fees, annual subscription and Issuance fees) commenced in July 2011. The transaction fees were however delayed for further discussions with stakeholders. These have also commenced this year (2012). In view of the late implementation of the charges, the company could not realise enough revenue to cover its operations. This led to a loss of GHS 197,395.00. It is expected that with regular payment of fees and charges by Depository Participants (DPs), the Company will be able to make a modest profit in 2012.

## Corporate Governance

In compliance with good corporate governance practices, the Directors ensured the maintenance of good internal controls and procedures, strict adherence to rules and regulations, conforming to legal requirements through scheduled meetings of the Board and the various Board Committees.

## Technical Upgrade

During the year under consideration, the company undertook major upgrades of the system to meet the challenging demands of the financial market. These included

- The accommodation of the custodian banks in the auction system and
- Ability to re-open a closed auction

## Current and Future Outlook

The company is currently implementing some enhancements to the systems and processes to position it to meet the demands of a growing market. These include;

- 1) A Straight-Through Processing (STP) that will link the funds settlement system in Bank of Ghana (RTGS) with the CSD's securities settlement system to facilitate Delivery Verses Payment (DVP). This is currently on going
- 2) Automation of all other manual processes to provide efficiency and timeliness in line with International standards. This involves reforming the procedure for undertaking Repo transactions. This is also on going
- 3) Provision of adequate and timely data to the market to aid price discovery and decision making.
- 4) Establishment of a Guarantee Fund to manage settlement and some other risks in the market place.

## Conclusion

In conclusion, let me say that the Board will endeavour to focus on delivering on its mandate to prudently manage the affairs of the company to enhance shareholder value and growth.

We would also ask you to continue supporting the company as you have done in the past

Thank you.

Dr. H. A. K. Wampah  
Chairman

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CENTRAL SECURITIES DEPOSITORY (GH) LIMITED

## Report on the financial statements

We have audited the accompanying financial statements of Central Securities Depository (GH) Limited, which comprise the statement of financial position as at 31 December 2011 and the statement of comprehensive income, statement of changes in equity and statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, and the directors' report, as set out on pages 1 to 27.

## Directors' responsibility for the financial statements

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (IFRS) and in the manner required by the Companies Code, 1963 (Act 179) and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

## Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting

policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

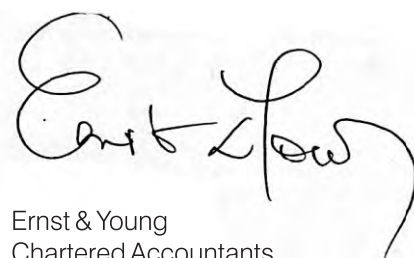
## Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Central Securities Depository (GH) Limited as of 31 December 2011 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies Code, 1963 (Act 179).

## Report on other legal and regulatory requirements

The Companies Code, 1963 (Act 179) requires that in carrying out our audit we consider and report on the following matters. We confirm that:

- i. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
- ii. In our opinion proper books of account have been kept by the company, so far as appears from our examination of those books; and
- iii. The balance sheet (statement of financial position) and the profit and loss account (statement of comprehensive income) dealt with by the report are in agreement with the books of account and returns.



Ernst & Young  
Chartered Accountants  
Accra, Ghana  
Date:



## 4.0 CORPORATE GOVERNANCE

### 4.1 Board of Directors

The CSD is supervised by an eight (8) member Board of Directors, comprising of seven External Directors, two of whom are from Bank of Ghana and the Chief Executive Officer. The Chairman of the Board of Directors has no executive officer position, which reinforces the supervisory function of the Board of Directors.

The current Board was inaugurated on 8th September, 2010 with the representative from the Ministry of Finance and Economic Planning joining in October, 2011.

### Board Members

Dr. H. A. K. Wampah	Chairman
Dr. David Obu Andah	Member
Mr. Kwame Adutua-Amakye	Member
Mr. George Katako	Member
Mrs. Caroline Otoo	Member
Mr. Daniel Kobla Glymin	Member
Mr. Alex Tetteh	Member
Mr. Stephen Tetteh	Member
Mr. George Nkrumah	Secretary to the Board

The Board actively provides recommendations for important management decisions, and conducts unbiased evaluation and supervision of the management for the realisation of CSD's objectives.



**Dr. H. A. K. Wampah**  
Chairman



**Dr. David Obu Andah**  
Member



**Mr. Kwame Adutua-Amakye**  
Member



**Mr. George Katako**  
Member



**Mrs. Caroline Otoo**  
Member



**Mr. Daniel Kobla Glymin**  
Member



**Mr. Stephen Tetteh**  
Member/CEO



**Mr. George Nkrumah**  
Secretary to the Board

### 4.2 Committees of the Board

In order for the Board to carry out its function effectively, it constituted the following committees:

#### 4.2.1 Tender / Procurement Committee

The key function of the Tender Committee is to warrant that budgetary expenses are done in the corporate interests of the depository. It is also the

goal of the committee to certify that award of contracts for the acquisition of goods, works and services are embarked upon on the principles of transparency, competitiveness and corporate decision making and in line with the procurement law. The tender committee is made up of 3 members.

• Mr. Stephen Tetteh	Chairman
• Dr. David Obu Andah	Member
• Mr. Kwame Adutua-Amakye	Member



#### 4.2.2 Business Conduct Committee (BCC)

The Business Conduct Committee consists of 5 members drawn from within the Board and representative each from both the Bank and Non-Bank participants. The BCC was set up to monitor the operations relating to risk management issues and the Guaranteed Fund and to consider the complaints from persons who feel aggrieved by actions of the Depository or the conduct of other participants with respect to the operations of the CSD. In addition the Business Conduct Committee offers recommendations to the Board of the Central Securities Depository with respect to applications for appointment and dismissal as a Depository Participant. The members are

- Dr. David Obu Andah Chairman
- Mr. Daniel Kobla Glymin Member
- Mr. Frank Adu Banks DPs representative
- Mrs. Helina Kemetse Non-Bank DPs representative
- Representative of Bank of Ghana

#### 4.2.3 Audit Sub Committee

The Audit Sub Committee determines whether the accounts and reporting policies of CSD are in accordance with the legal and established ethical requirement. The Committee also provides an oversight responsibility in the risk management of the company as well as appraising the effectiveness of the system of accounts and internal controls. It comprises of 3 members.

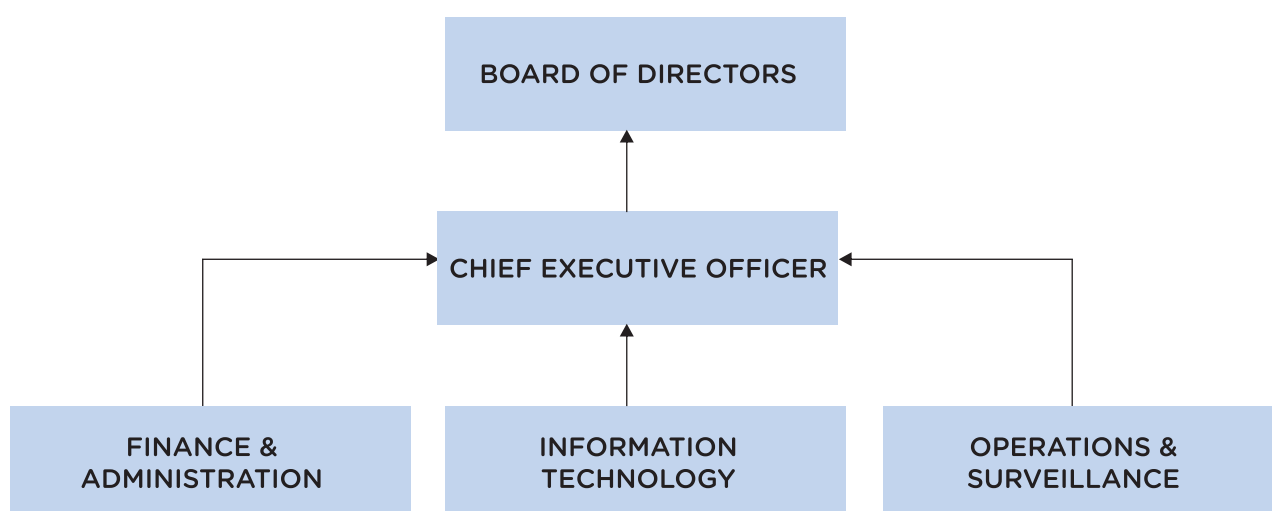
- Mr. George Katako Chairman
- Mrs. Caroline Otoo Member
- Dr. David Obu Andah Member

#### 4.3 Management

The management is responsible for the day to day activities of the depository. The management team is as follows:

- Mr. Stephen Tetteh Chief Executive Officer
- Mr. Joseph Oko Lartey Head, Information Technology
- Mr. George Nkrumah Head, Operations and Surveillance
- Mr. Alex Kwasi Donkor Head, Finance and Administration

#### 4.4 Governance Structure



## 5.0 DEVELOPMENT

During the year under review, several developmental activities took place.

### 5.1 Staff Recruitment

During the year five officers seconded from the Bank of Ghana reverted to the Bank. Eleven new officers were engaged to bring the staff position to sixteen (16).

### 5.2 Relocation of Office Premises

The CSD relocated to its refurbished offices on the 4th Floor of the Cedi House in April, 2011.

### 5.3 Training and Professional Development

The CSD aims to provide appropriate training necessary for staff development. In this direction, staff members participated in a number of local and international training programmes during the year.

A two-day retreat was organised for the Board members and the Management from 6th to 7th May, 2011 on Corporate Governance. Similarly, a three-day retreat was organised for staff members from Friday, 25th to Sunday, 27th November 2011 on team building, improving workplace attitude and organisational culture.

In an effort to promote efficient usage and understanding of the workings of the CSD system, the CSD periodically organized training sessions for the CSD depository participants. In the year 2011 training was held for four participating institutions.

### 5.4 Launching of CSD

The CSD was formally launched as a company together with its website and logo. The Website address is as follows; [www.csd.com.gh](http://www.csd.com.gh).

### 5.5 CSD System Upgrade

In the course of the year, the CSD system was upgraded to capture the following three major activities which were introduced into the securities market. First, the system was upgraded to allow primary dealers to submit bids directly to the account of custodian clients at the primary market. Moreover, the system upgrade facilitated the re-opening of already processed auction to reissue additional bonds. As a result, the five year bond

which was initially issued on 1st August, 2011 was re-opened and successfully re-issued on 8th December, 2011 to increase the value from GHS 305,335,000 to GHS 502,032,000.

Interests and maturities Ex-date were reduced from three (3) working days before record date to one (1) working day prior to the record date.

### 5.6 Financial Review

The CSD operated basically on the set-up capital that was provided by the shareholder. At the close of the year 2011, the capital of the company stood at GHS 2,464,987. During the year, proposed charges for the various services provided by the company were discussed with all stakeholders and were finally approved by the Securities and Exchange Commission. Some of the charges (Initial registration fees, annual subscription and Issuance fees) were implemented in July, 2011. The transaction fees were however delayed for further discussions with stakeholders.

In view of the late implementation of the charges, the company could not realise enough revenue to cover its operations. This led to a loss of GHS197,395.

### 5.7 External Development/ Association

The CSD played host to a number of rating Agencies and Global Custodian Institutions carrying out due diligence of the Ghana market. Among the visitors were representatives from JP Morgan, Standard Bank-South Africa, etc.

CSD also participated in the Association of Global Custodian Information Gathering project for 2011. The CSD joined the African Middle East Depositories Association in April, 2011 and participated in their meetings and conferences held under the auspices of CSD 11 in Cape Town, South Africa.

## 6.0 PERFORMANCE IN 2011

### 6.1 Depository Participants/ Clients Registration

There were 38 Depository Participants (DPs) as at the end of 2011, twenty eight (28) Universal Banks, Bank of Ghana, six (6) Brokerage Firms, two (2) Custodian Banks and SSNIT. During the year, two DPs withdrew their membership with the depository whilst two new institutions were registered.

The Primary dealing system was reviewed during the year. The number of Primary Dealers was reduced from thirty eight (38) to fifteen (15) effective April, 2011. The fifteen (15) Primary Dealers are required to have dedicated capital devoted solely to dealing in government securities. They are also required to underwrite the government securities issued at the auction and provide a committed two-way quote to promote secondary market transaction. SSNIT and Bank of Ghana were however given a special privilege to participate in the primary auction.

As of the end of December, 2011 a total of 40,536 new accounts were opened bringing the total number of investor accounts to 396, 682. Standard Chartered Bank registered the highest number of clients' account in 2011 while SIC Financial Services opened the minimum number of accounts.

### 6.2 Securities Issued

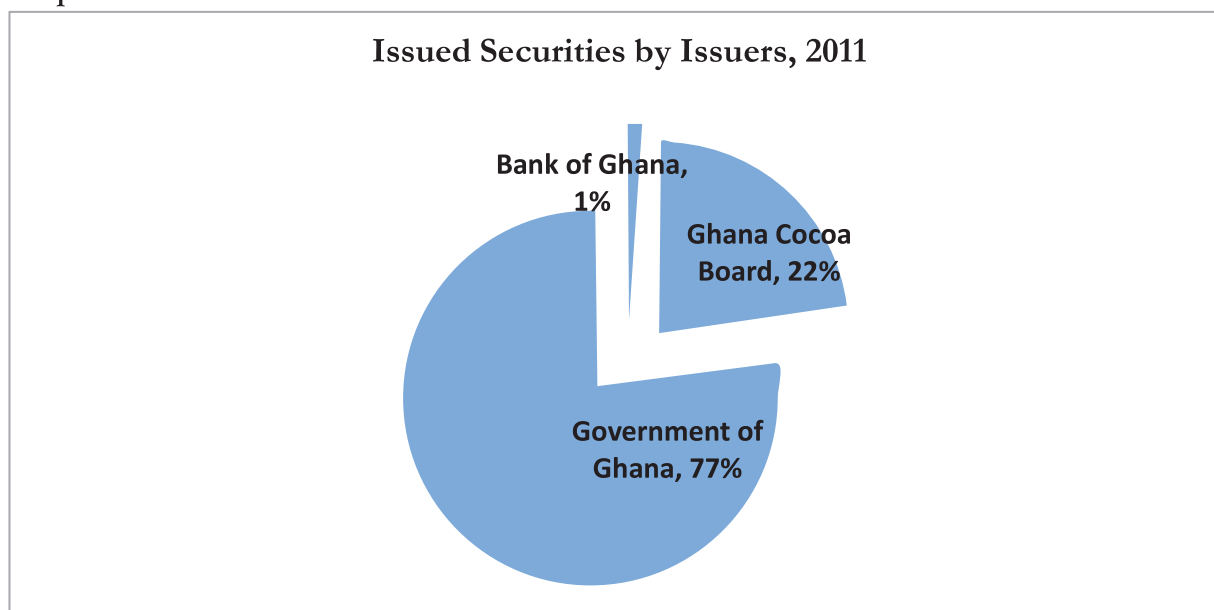
A total amount of GHS 16,857,878,287.00 securities was issued through the auction system managed by the CSD as shown in table one below. Out of the total amount of issued securities, the Government of Ghana issued 77.01%, Ghana Cocoa Board 21.94% and Bank of Ghana 1.05% as shown in graph one below. The total value for all bids submitted stood at GHS 20,356,336,777.00, out of which 81.83% were allotted within the accepted rates. The total bid submitted was 19.21% more than the targeted amount for the year.

**Table 1: Total Issued Securities per Issuer**

Issuer	Targeted Amount (GHS)	Submitted Bids (GHS)	Issued Amount (GHS)
Government of Ghana	13,053,212,463	16,045,128,418	12,982,802,869
Bank of Ghana	189,100,000	186,219,600	176,219,600
Cocoa Board	3,834,194,301	4,124,988,759	3,698,855,818
<b>TOTAL</b>	<b>17,076,506,764</b>	<b>20,356,336,777</b>	<b>16,857,878,287</b>

Source: CSD

Graph 1: Issued Securities



### 6.3 Outstanding Securities, 2011

As of the end of the year, the total outstanding bills and bonds amounted to GHS 10,348,679.166. 00. Out of the total outstanding securities, securities

with tenures of between 91 day and 1 year constituted 56. 63% whilst securities with tenures of 2 years and above constituted 44.37% as indicated in table two below.

**Table 2: Issued Securities/ Outstanding Securities**

Issuer	Type of Security	No. of Issues	Value of Issue (GHS)	% of total Issue	Outstanding	
					(GHS)	%
Government of Ghana	91 Day GoG	52	6,286,009,385	37.29	1,580,768,564	15.28
	182 Day GoG	52	2,947,229,590	17.48	1,237,672,167	11.96
	1 Year GoG	52	1,732,955,641	10.28	1,707,563,350	16.50
	2 Year GoG	52	377,001,253	2.24	1,152,646,673	11.14
	3 Year GoG	4	1,137,575,000	6.75	2,743,839,128	26.51
	5 Year GoG	1	502,032,000	2.98	695,144,000	6.72
Cocoa Board	91 Day Cocoa	5	1,334,354,629	7.92	-	-
	182 Day Cocoa	8	2,364,501,189	14.03	1,231,045,284	11.90
Bank of Ghana	7 Day BoG	3	86,000,000	0.51	-	-
	14 Day BoG	3	50,022,600	0.30	-	-
	1 Month	1	25,000,000	0.15	-	-
	2 Month	1	15,197,000	0.09	-	-
<b>Total</b>		<b>238</b>	<b>16,857,878,287</b>	<b>100</b>	<b>10,348,679,166</b>	<b>100.00</b>

Source: CSD

Banks held 42.74% of the entire outstanding securities, whilst Bank of Ghana and Foreign investors held 10.04% and 21.90% respectively. Foreign investors are allowed to invest in securities

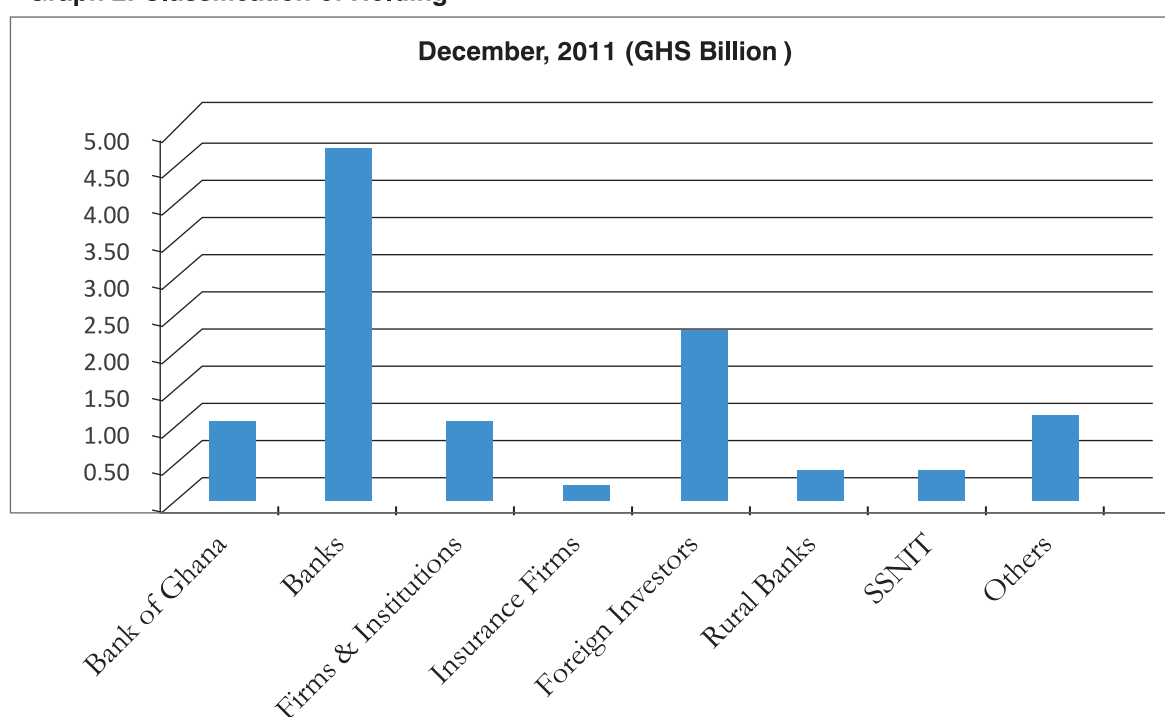
with tenure of at least three years. Table three below provides additional information on the ownership positions of clients for the outstanding securities for the year ending 2011.

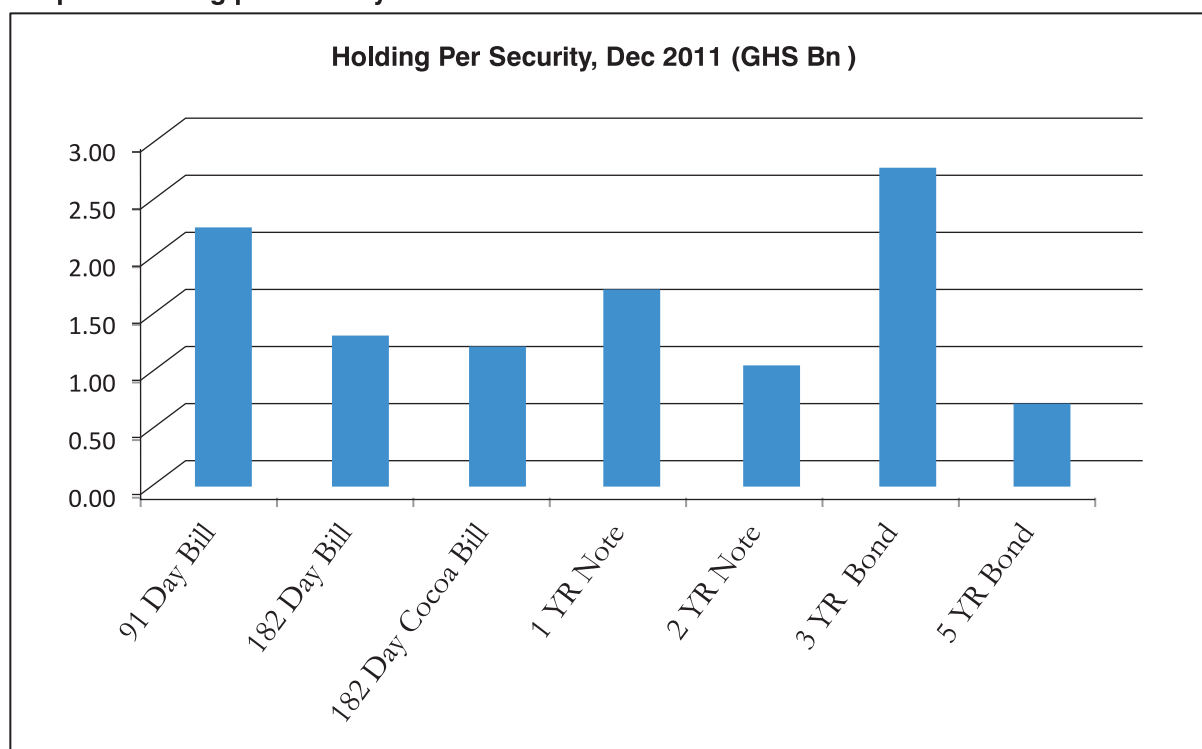
**Table 3: Classification of Holding**

Client Type	Outstanding Securities	
	GHS	%
Bank of Ghana	1,039,257,996	10.04
Banks	4,422,981,574	42.74
Institutions and Brokerage Firms	977,718,610	9.45
Insurance Companies.	54,559,469	0.53
Foreign Investors	2,266,262,024	21.90
Rural Banks	287,345,175	2.78
SSNIT	356,510,378	3.44
Others (individuals, associations etc.)	944,043,940	9.12
<b>Total</b>	<b>10,348,679,166</b>	<b>100</b>

**Source: CSD**

**Graph 2: Classification of Holding**



**Graph 3: Holding per Security**

Government securities with tenure of between 91 day and 2 year were issued weekly. The three (3) year and five (5) year securities were issued periodically based on the Government Issuance calendar. During the year, the three (3) year securities were issued on four (4) occasions while the five (5) year were issued once and re-opened on later date.

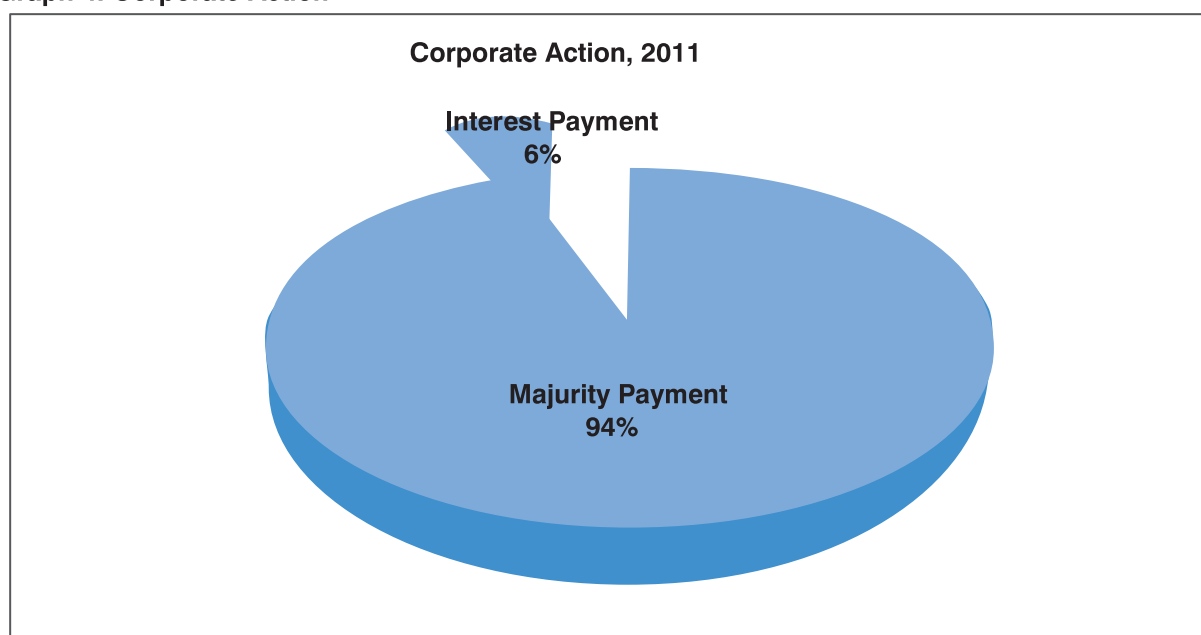
The Bank of Ghana issued eight (8) securities, with Cocoa Board also issuing thirteen (13) securities during the year.

## 6.4 Corporate Action Processing

Corporate actions comprising interest and maturity payments were processed by the depository on weekly basis and paid through the settlement Banks' account with the Bank of Ghana for onward credit to the various beneficiaries. In the course of the year, a total of GHS 15,563,249,021.64 was paid on both coupon bearing and non-coupon bearing securities. A sum total of GHS 891,065,528.64 was paid as interest payment (IP) on the various coupon bearing securities to 19,316 investors. During the same period, maturity proceeds (MP) of GHS 14,672,183,493.00 was paid to 809,032 investors. Refer to table four below for details.

**Table 4: Corporate Action Payment**

Action Type	Security Type	Number of Beneficiaries	Amount Paid (GHS)
Maturity Payment	7 DAY BILL	6	86,000,000
	14 DAY BOG BILL	4	50,022,600
	1 MONTH BOG BILL	2	25,000,000
	2 MONTH BOG BILL	3	28,197,000
	91 DAY BILL	747,866	6,233,300,900
	91 DAY COCOA BILL	1,094	1,681,762,929
	182 DAY BILL	51,750	3,064,418,898
	182 DAY COCOA BILL	42	1,243,455,905
	1 YEAR NOTE	7,486	1,137,808,347
	2 YR FXR NOTE	729	928,767,914
	3 YR FXR BOND	32	117,789,000
	5 YEAR BOND	18	75,660,000
	<b>Sub - Total</b>	<b>809,032</b>	<b>14,672,183,493</b>
Interest Payment	1 YEAR NOTE	15,287	158,582,556.47
	2 YR FXR NOTE	3,468	367,876,574.53
	3 YR FXR BOND	438	326,585,249.62
	5 YEAR BOND	123	38,021,148.02
<b>Sub - Total</b>		<b>19,316</b>	<b>891,065,528.64</b>
<b>Grand Total</b>		<b>828,348</b>	<b>15,563,249,021.64</b>

*Source: CSD***Graph 4: Corporate Action**

## 6.5 Secondary Market Transaction

At the secondary market, a total of 11,859 transactions were reported into the Depository System during the year. The challenge, however, was that some of the DPs did not report their trades through the CSD system. The face value and settlement amount of the reported transactions in the secondary market was GHS 3,732,274,662.00 and GHS 3,838,944,365.42 respectively.

As of the end of the year, 3,966 Repo transactions had been recorded by the depository on behalf of financial institutions with a total value of GHS 28,534,258,438.00 and an associated collateral value of GHS 47,833,503,863.00. For pledges, there were 635 of transactions with a total value of GHS 376,081,117.00.

**Table 5: Volume and Value of Secondary Transactions**

Type of Security	Volume of Trade	Face Value (GHS)	Settlement Amount/ Value of Trade	
			(GHS)	%
91 Day Bill	8,447	84,718,964	83,010,205.21	2.16
91 DAY COCOA BILL	5	34,122,335	33,056,825.74	0.86
182 Day Bill	1,886	61,094,674	59,281,240.65	1.54
182 DAY COCOA BILL	21	300,059,138	285,448,015.16	7.44
1 YEAR NOTE	526	146,720,703	150,183,391.34	3.91
2 YR FXR NOTE	335	282,662,608	308,386,399.21	8.03
3 YR FXR BOND	582	2,510,576,992	2,601,098,250.61	67.76
5 YEAR BOND	57	312,319,248	318,480,037.50	8.30
<b>Total</b>	<b>11,859</b>	<b>3,732,274,662</b>	<b>3,838,944,365.42</b>	<b>100.00</b>

**Source: CSD**

Out of the total trade value, 67.76% were in the three (3) year bonds. On a whole the value of trades for the long dated securities was more than that of the short dated securities as shown in table five beneath. This was because the institutional investors were mostly the holders of the long dated securities as against the retail investors who prefer short dated securities.

## 6.6 Coupon Rate

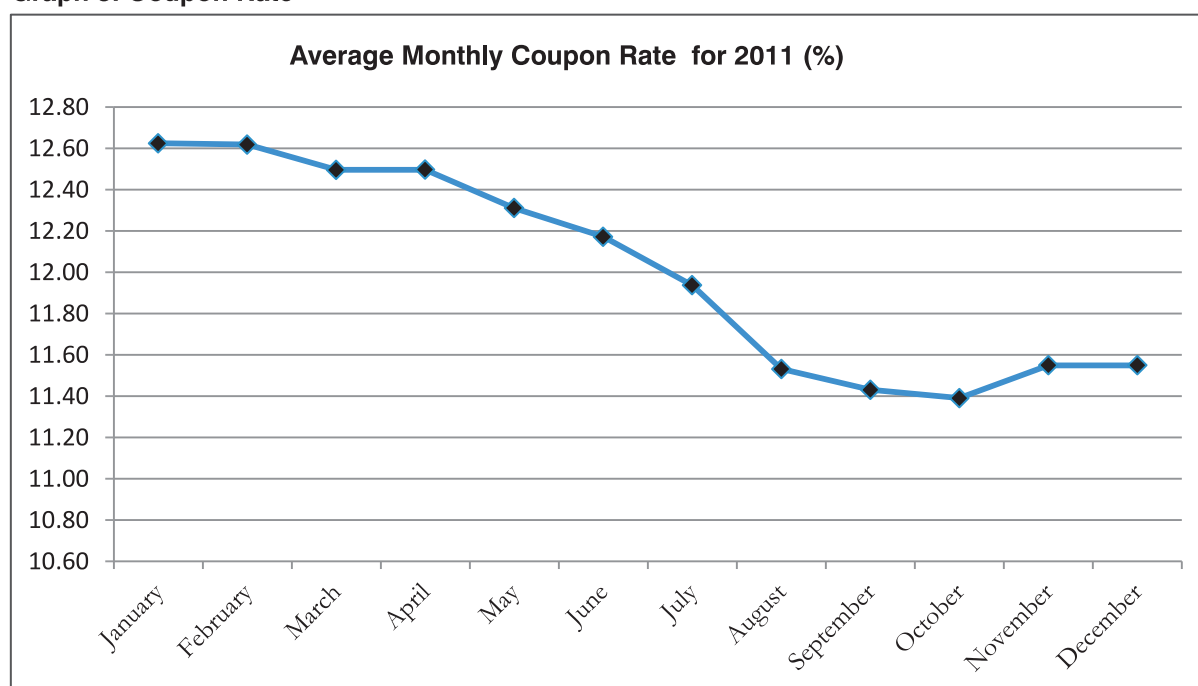
The average coupon rate on notes and bonds issued for the year was 12.00%. Specifically, the average coupon rate for the 1 YR note, 2 YR note and the 3 YR bond were 11.81%, 12.10% and 12.70% respectively. The 5 YR bond issued on 8/1/2011 had the highest coupon rate of 14.25% and was followed by the 3 YR bond issued on 10/17/2011 with a coupon rate of 14.00%. However, the 3 YR bond issued in 12/07/2011 had the lowest coupon rate of 10.5% for the year ending 2011.



The average monthly coupon rate for the year peaked during the first two months of the year with an average rate of 12.6%. The coupon rate thereafter, experienced a downturn with the month of

October recording the lowest average monthly rate of 11.39% after which the rate began an upsurge again at the later part of the year as depicted in figure five below.

**Graph 5: Coupon Rate**



## 7.0 FUTURE DEVELOPMENT

### 7.1 Collateral Management

As part of broadening our custodial services, the CSD began a process which will allow its system to provide collateral management and custodian services to mortgage institutions (such as the Ghana Home Loans). The process which began in 2011 is still on-going and a draft proposal has been submitted to Ghana Home Loans for their consideration.

### 7.2 Straight through Processing (STP)

Securities settlement is done at the CSD while the cash settlement is done at Bank of Ghana (BoG) through the Real Time Gross Settlement System (RTGS).

Currently, the securities settlement at the CSD is not synchronized with the fund settlement at the Bank of Ghana to provide a Straight Through Process (STP) with minimal human intervention. Therefore, to achieve the STP, CSD is working with some major stakeholders (SWIFT, Millennium Information Technologies, BoG, and Montran U.S.A) to implement an interface between the RTGS and CSD system. This system when implemented would also lead to the automation of transactions in the REPO market. It is envisaged that this exercise will be completed by the end of the year, 2012.

### 7.3 Guarantee Fund

The CSD is required by the Central Securities Depository Act 2007, (Acts 733) to establish and maintain a Guarantee Fund for the purpose of providing an indemnity against default in respect of payments for or delivery of securities by a depository participant and of obligations of participants towards the Central Securities Depository. The process has started and is expected to be completed before the year ends in 2012.

### 7.4 Merger talks with Ghana Stock Exchange (GSE) Depository of GSE

The CSD has begun talks with the GSE Depository with the objective of merging their operations. It is believed a single depository will bring efficiency in the securities market and reduce cost through synergy arising from the merged entities.

### 7.5 Information Dissemination

It is a mandatory requirement of the CSD that all DPs report trades into the CSD system. This will ensure that all relevant information is provided to the market to facilitate price discovery and transparency. To this end, reporting of price details and capturing of all transactions will be made mandatory.

### 7.6 Compliance & Surveillance

The CSD has established a Compliance Unit within the Operations and Surveillance Department to ensure that, Depository Participants operate according to the provisions in the CSD Act and the Rules and Procedures of the CSD. The unit will collate reports from participants and make periodic visits to their premises for on-site inspection.

## 8.0 GLOSSARY

**Corporate Action:** any activity undertaken by the issuer of securities that affects the securities and the holder of the securities.

**Coupon Rate:** interest rate stated on note and bond.

**Depository Participants:** financial institutions, corporations and agencies which act as intermediaries between the CSD and the general investing public.

**Ex-date:** the date on or after which a security is traded without a previously declared interest with the CSD. Securities cannot be traded on or after this day.

**Guaranteed Fund:** is the value of funds and securities set aside to serve as a warranty in the fulfilment of transactions during securities trade or corporate action payments.

**Issuer:** signifies government, corporation, or an agency that sells initial securities to the general public.

**Primary Market:** is a market that deals with the issuance of new securities. Here securities are purchased directly from the issuer.

**Primary Dealers:** are financial institutions approved by Bank of Ghana to participate in the auction of Government of Ghana, Cocoa Board and Bank of Ghana securities at the primary market and to promote investments in the securities market.

**Record Date:** the date on which interest and maturity payment is done.

**Secondary Market:** refers to post primary market activities.

**Settlement:** is the delivery or movement of securities in exchange of fund.

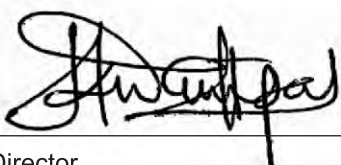
**Securities:** are financial instruments that represent once ownership of investment.

# FINANCIAL STATEMENTS

## STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2011

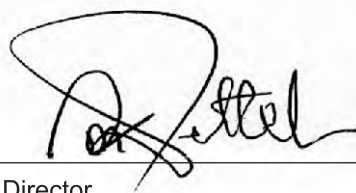
ASSETS	Notes	2011 GH¢	2010 GH¢
Non- current assets			
Property, plant and equipment	3	643,393	249,288
Intangible asset	4	1,995,817	2,084,979
		2,639,210	2,334,267
Current assets			
Accounts receivable and prepayments	5	279,634	-
Held to maturity investment	6	1,556,813	2,416,011
Cash and bank	7	236,191	258,371
		2,072,638	2,674,382
<b>TOTAL ASSETS</b>		<b>4,711,848</b>	<b>5,008,649</b>
<b>EQUITY AND LIABILITIES</b>			
Equity			
Share capital	8	3,000,000	3,000,000
Retained earnings		(535,013)	(365,736)
		2,464,987	2,634,264
Noncurrent Liabilities			
Deferred capital grant	9a	2,013,651	2,187,409
		2,013,651	2,187,409
Current Liabilities			
Deferred capital grant	9a	174,473	174,976
Accounts payable and accruals	10	58,737	12,000
		233,210	186,976
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>4,711,848</b>	<b>5,008,649</b>

Signed on behalf of the Board:



Director

Date: 21st February, 2012



Director

Date: 21st February, 2012

**STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2011**

	Notes	2011 GH¢	2010 GH¢
Revenue	11	599,720	-
Other income	12	<u>882,926</u>	<u>21,498</u>
		1,482,646	21,498
Operating Expenses		(1,659,820)	(387,234)
Finance cost		<u>(20,221)</u>	<u>-</u>
Loss for the year		(197,395)	(365,736)
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive income for the year		<u>(197,395)</u>	<u>(365,736)</u>

	Issued and fully paid shares GH¢	Retained Earning GH¢	Total Equity GH¢
2011			
Balance at 1 January	3,000,000	(365,736)	2,634,264
Prior year adjustment (Note 13)		28,118	28,118
Total comprehensive income	<u>-</u>	<u>(197,395)</u>	<u>(197,395)</u>
Balance as of 31 December 2011	<u>3,000,000</u>	<u>(535,013)</u>	<u>2,464,987</u>
2010			
Proceeds from issue of shares	3,000,000	-	3,000,000
Total comprehensive income	<u>-</u>	<u>(365,736)</u>	<u>(365,736)</u>
Balance as of 31 December 2010	<u>3,000,000</u>	<u>(365,736)</u>	<u>2,634,264</u>

# STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2011

	Notes	2011 GH¢	2010 GH¢
<b>OPERATING ACTIVITIES</b>			
Loss for the year		(197,395)	(365,736)
Adjustment for:			
Depreciation	3	142,202	10,597
Amortisation	4	106,074	17,521
Movement in grant	9	(174,976)	-
Interest accrued on short term investments	6	<u>(11,574)</u>	<u>(20,498)</u>
Operating cash flow before working capital changes		(135,669)	(358,116)
Increase in accounts receivable		(279,634)	-
Increase in payables and accruals		<u>46,737</u>	<u>12,000</u>
Net cash outflow from operating activities		<u>(368,566)</u>	<u>(346,116)</u>
<b>INVESTING ACTIVITIES</b>			
Purchase of PPE	3	(507,473)	-
Purchase of intangible asset	4	(16,912)	-
Short term investment redeemed/(purchased)		<u>870,771</u>	<u>(2,395,513)</u>
Net cash used in investing activities		<u>346,386</u>	<u>(2,395,513)</u>
<b>FINANCING ACTIVITY</b>			
Proceeds from issue of share		<u>-</u>	<u>3,000,000</u>
Net cash flow from financing activities		<u>-</u>	<u>3,000,000</u>
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(22,180)	258,371
Cash and Cash equivalents as of 1 January 2011		<u>258,371</u>	<u>-</u>
CASH AND CASH EQUIVALENTS AS OF 31 DECEMBER	7	<u>236,191</u>	<u>258,371</u>

**STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2011**

3. PROPERTY, PLANT AND EQUIPMENT	2011	Equipment GHC	Furniture and Fittings GHC	Motor Vehicle GHC	Total GHC
Cost					
Balance as at 1 January 2011		232,087	14,599	13,200	259,886
Additions		162,193	242,489	102,791	507,473
Transfers from BoG				38 ,895	38,895
Transfer to BoG		-	(10,409)	-	(10,409)
Balance as at 31 December 2011		<u>394,280</u>	<u>246,679</u>	<u>154,886</u>	<u>795,845</u>
Accumulated Depreciation					
Balance as at 1 January 2011		9,670	487	440	10,597
Charge for the year		77,745	35,194	29,263	142,202
Transfer		-	(347)	-	(347)
Balance as at 31 December 2011		<u>87,415</u>	<u>35 ,334</u>	<u>29,703</u>	<u>152,452</u>
Net book value					
Balance as at 31 December 2011		<u>306,8 65</u>	<u>211,345</u>	<u>12 5,183</u>	<u>643,393</u>



# STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2011

3. PROPERTY, PLANT AND EQUIPMENT (cont'd)	2010	Equipment GHC	Furniture and Fittings GHC	Motor Vehicle GHC	Total GHC
Cost					
Balance as at 1 November 2010		-	-	-	-
Revaluation		<u>232,087</u>	<u>14,599</u>	<u>13,200</u>	<u>259,886</u>
Balance as at 31 December 2010		<u>232,087</u>	<u>14,599</u>	<u>13,200</u>	<u>259,886</u>
Accumulated Depreciation					
Balance as at 1 November 2010		-	-	-	-
Charge for the period		<u>9,670</u>	<u>487</u>	<u>440</u>	<u>10,597</u>
Balance as at 31 December 2010		<u>9,670</u>	<u>487</u>	<u>440</u>	<u>10,597</u>
Net book value					
Balance as at 31 December 2010		<u>222,416</u>	<u>14,112</u>	<u>12,760</u>	<u>249,288</u>

**STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2011**

4.	Intangible assets (Software )	2011 GHC	2010 GHC
	Cost		
	Balance as at 1 January 2011	2,102,500	-
	Addition /revaluation	<u>16,912</u>	<u>2,102,500</u>
		<u>2,119,412</u>	<u>2,102,500</u>
	Accumulated amortisation		
	Balance as at 1 January 2011	17,521	
	Amortisation for the year	<u>106,074</u>	<u>17,521</u>
		<u>123,595</u>	<u>17,521</u>
	Balance at 31 December 2011	<u>1,995,817</u>	<u>2,084,979</u>
5.	Accounts receivable	2011 GHC	2010 GHC
	Trade receivable	215,190	-
	Prepayments	63,618	-
	Withholding tax	<u>826</u>	<u>-</u>
		<u>279,634</u>	<u>-</u>
6.	Held to maturity investments	2011 GHC	2010 GHC
	Short term investments	1,545,239	2,395,513
	Interest Receivable	<u>11,574</u>	<u>20,498</u>
		<u>1,556,813</u>	<u>2,416,011</u>
7.	Cash and Bank Balances	2011 GHC	2010 GHC
	Cash at bank	233,289	258,371
	Cash in hand	<u>2,902</u>	<u>-</u>
		<u>236,191</u>	<u>258,371</u>

## STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2011

### 8. Stated Capital

#### a. Authorized shares

The Company is registered with 3,000,000 ordinary shares of no par value.

#### b. Issued shares

	2011	Amount (GH¢)	2010	Amount (GH¢)
	No. of Shares		No. of Shares	
Issued for cash	<u>3,000,000</u>	<u>3,000,000</u>	<u>3,000,000</u>	<u>3,000,000</u>
	<u>3,000,000</u>	<u>3,000,000</u>	<u>3,000,000</u>	<u>3,000,000</u>

There is no share in treasury and on call or instalment unpaid on any share.

### 9. Bank of Ghana grants

#### a. Deferred Capital Grant

	2011 GH¢	2010 GH¢
At 1 January	2,362,385	-
Grants received during the year	38,895	2,362,385
Grants released into income statement	(174,976)	-
Write off of grants relating to transferred assets	(10,062)	-
Prior period adjustments (Note 13)	<u>(28,118)</u>	<u>-</u>
At 31 December	<u>2,188,124</u>	<u>2,362,385</u>
Current	<u>174,473</u>	<u>174,976</u>
Noncurrent	<u>2,013,651</u>	<u>2,187,409</u>

Capital grants represent the value of assets transferred to the company by its Parent (the Bank of Ghana) at nil values on 26 October 2010. These assets were subsequently valued and incorporated in the financial statements.

#### b. Revenue grant

Revenue grants represent staff costs paid on behalf of the company by its Parent (the Bank of Ghana).

There are no unfulfilled conditions or contingencies attached to these grants

**STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2011**

10.	Accounts payable and accruals		
		2011 GH¢	2010 GH¢
	Creditors	37,377	-
	Deferred income	6,360	-
	Audit fees	<u>15,000</u>	<u>12,000</u>
		<u>58,737</u>	<u>12,000</u>
11.	Revenue		
		2011 GHC	2010 GHC
	Registration Fees	180,000	-
	Transaction Fees	<u>419,720</u>	<u>-</u>
		<u>599,720</u>	<u>-</u>
12.	Other income		
		2011 GHC	2010 GHC
	Capital grant (Note 9a)	174,976	-
	Revenue grant (Note 9b)	452,417	-
	Interests earned on investments	244,133	21,498
	Training on CSD software	<u>11,400</u>	<u>-</u>
		<u>882,926</u>	<u>21,498</u>

13. Prior year adjustment

This represents adjustments to reflect the change in policy for treatment of assets transferred from Bank of Ghana to the Company. In the prior year, these assets were recognised at nil values from Bank of Ghana and subsequently valued and incorporated in the financial statements as revaluation surplus.

This policy has been changed to account for the assets as capital grants from the Bank of Ghana.

14. Contingencies

Contingent liabilities

There were no contingent liabilities as of 31 December 2011 (31 December 2010, nil).

Contingent assets

There were no contingent assets as of 31 December 2011 (31 December 2010, nil).





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