



CENTRAL  
SECURITIES  
DEPOSITORY  
*You invest, we protect*

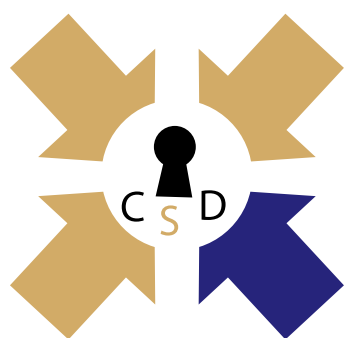


# 2013

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ANNUAL  
REPORT





CENTRAL  
SECURITIES  
DEPOSITORY  
*You invest, we protect*

**2013** ANNUAL  
REPORT &  
FINANCIAL  
STATEMENTS



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## 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

## MISSION

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





# 1.0 CORPORATE INFORMATION

## BOARD OF DIRECTORS

Dr. Henry Akpenamawu Kofi Wampah	(Chairman)
Dr. David Obu Andah	(Member)
Mr. Stephen Tetteh	(Chief Executive)
Mr. Daniel Kobla Glymin	(Member)
Mrs. Caroline Otoo	(Member)
Mr. Kwame Adutua-Amakye	(Member)
Mrs. Kokui Adzo Adu	(Member)

## SECRETARY

Ms. Faustina Coleman-Forson  
Cedi House, Liberia Road  
PMB CT 465  
Cantonments  
Accra, Ghana

## REGISTERED OFFICE

Central Securities Depository (Gh) Limited  
Cedi House, Liberia Road  
PMB CT 465  
Cantonments  
Accra, Ghana

## AUDITORS

Ernst & Young  
Chartered Accountants  
P. O. Box KA 16009, Airport  
G15, White Avenue  
Airport Residential Area  
Accra

## BANKERS

Bank of Ghana  
Ecobank Ghana Limited

## 2.0 DIRECTORS' PROFILE

**Dr. H. A. K. Wampah** holds a Ph.D. degree in Economics with specializations in Econometrics and Public Finance. Dr. Kofi Wampah held various teaching appointments with McGill University, Institute of Statistical, Social and Economic Research (ISSER), University of Ghana, Legon in the areas of economic statistics and mathematics. He was the Head of Research Department, Bank of Ghana up to 2001. He also worked with the International Monetary Fund, Washington, DC, as a Special Appointee in 1998 where he worked with the Monetary Operations Division of the Monetary and Exchange Affairs Department. Between 2001 and 2009, he was the Director of Research at the West African Monetary Institute. He was appointed first Deputy Governor of Bank of Ghana in April, 2009 and became the substantive Governor in April, 2013.

**Mr. Stephen Tetteh** has been the Chief Executive Officer of the Depository since its inception in 2004. He holds an M.A. Degree in Economics Policy Management from McGill University, Canada. He had extensive work experience with Bank of Ghana where he rose to the rank of a Director.

**Dr. David O. Andah** holds a Ph.D. in Agriculture and is an experienced banker with an agricultural background. For 25 years, he worked with banks, handling, for the most part, rural and microfinance schedules and also credit guarantee schemes. His membership of Boards includes; Bank of Ghana (2010 to date), Central Securities Depository (2010 to date), Commissioner, National Development Planning Commission (2010 to

date), and Executive Committee member of the Ghana Microfinance Institutions Network (2012 to date).

**Mr. Kwame Adutua-Amakye** is a Professional Engineer with over 31 years' experience encompassing engineering Management, installation and maintenance, communication network planning, design and implementation, lecturing, ICT Training and consultancy. He holds a BSc. in Electrical/Electronic Engineering and a Master of Engineering in Signal and Information Processing.

**Mrs. Caroline Otoo** holds an LLB (Hons), BL and Advanced Diploma in Legislative Drafting. She is currently an Assistant Director and Secretary to the Bank of Ghana. Prior to her current appointment at Bank of Ghana, she served as the Head of the Legal Department of the Central Bank.

**Mr. Daniel Kobla Glymin** is a private legal practitioner. He manages Glymin & Company, a law firm in Accra. He has over twenty years experience in company secretarial, commercial and corporate practice. He is currently the chairman of the Advisory Board of Kinderparadise, a children's home based in Prampram.

**Mrs. Kokui Adzo Adu** is successful Data Analyst and Financial Management Professional with over twenty years' experience in planning and financial Management in the public sector. She holds a Master of Business Administration (MBA) in Finance (Double Concentration in Corporate Financial Management and Investments and Financial Services Management).

## BOARD OF DIRECTORS



**MR. STEPHEN TETTEH**  
(Member / CEO)



**DR. H.A.K. WAMPAH**  
(Chairman)



**DR. DAVID O. ANDAH**  
(Member)



**MRS. KOKUI ADZO ADU**  
(Member)



**MRS. CAROLINE OTOO**  
(Member)



**MR. KWAME ADUTUA - AMAKYE**  
(Member)



**MR. DANIEL GLYMIN**  
(Member)



**MS. FAUSTINA COLEMAN-FORSON**  
(Board Secretary)

## 3.0 HEADS OF DEPARTMENTS

### Operations and Surveillance



Ms. Faustina Coleman-Forson holds an MBA in Finance from The Johns Hopkins University, and is a FINRA registered Financial Advisor Representative. She worked with BB&T Corporation as a wealth Management relationship manager and has tremendous experience in Financial Advisory, and Estate and Trust Administration.

### Information Technology



Mr. Ambrose K. Karikari is currently undertaking his MBA degree (University of Ghana Business School) expecting to graduate in May, 2014. He Holds a BSc. Information and Communication Technology and IT Professional Certifications. He has gained immense professional experience over the years. He worked with Ghana Telecom Ltd and Vodafone Ghana Ltd, and Electronic Data Communication Systems.

### Finance and Administration



Mr. Dornu D. Narnor is a member of Association of Chartered Certified Accountants (ACCA). He holds an MBA in finance and has immense experience in finance and administration and has worked in Construction and Joinery, Transaction Processing, and Real Estate Firms.

## 4.0 CORPORATE GOVERNANCE

### Introduction

Central Securities Depository Gh. Ltd (CSD) is an institution established on the philosophy and principle of good corporate governance to serve as a custodian of dematerialised securities issued by Government of Ghana, Ghana Cocoa Board and Bank of Ghana. Among the mandates for the establishment of the Depository includes the following;

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

Ever since the Depository started operations as an independent body in 2011, the Depository has consistently informed the sole shareholder (Bank of Ghana) about its corporate governance. CSD trusts that good corporate governance is the basis for the growth of the Depository in meeting its short to medium and long term objectives. For this reason it is the goal of CSD to transparently pursue good corporate governance at all times.

In view of good corporate governance, the Board of CSD actively monitors the activities of the Depository, offers recommendations for key Management decisions, and undertakes unbiased assessment of Management for the realisation of CSD's vision and mission.

CSD is regulated by the Securities and Exchange Commission of Ghana (SEC). As a result CSD has made it her ambition to fully adhere to the Central Securities Depository (CSD) Act, (Act 733).

### Risk Management

Risk Management and Business continuity are crucial to the Depository. A comprehensive Business Continuity Plan (BCP) is in place to cater for various scenarios of risks in the operations of the Depository. Our BCP covers both preventive and corrective measures that will enable CSD to deal with different forms of risks that can disrupt normal systems operation. Our BCP is tested periodically, at least once every year.

In addition, a penetration testing and vulnerability assessment is conducted every six (6) months to identify possible risk areas to our operating systems. The outcome is presented to the Board of Directors for appropriate remedy to be instituted. Our financials are audited by a team of internal auditors from Bank of Ghana each year as well as an external auditor, Ernst & Young. The audit committee of the Board meets regularly to consider issues bordering on risk and compliance.

### Board of Directors

CSD is administered by a seven (7) member Board of Directors, made up of six (6) External Directors, two (2) 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. It is the responsibility of the Board of Directors to lead the Depository towards the achievement of its vision through the setting of strategic directions and overseeing the implementation of policy decisions by the Management. The Board meets once quarterly to review the activities of CSD and to offer policy directions to the Depository. To facilitate the work of the Board in an efficient

and cost effective manner, the Board has set up the Tender/Procurement, Business Conduct and Audit Committees. The committee members are appointed by the Board of Directors.

## 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 award of contracts for the acquisition of goods and services and to ensure that these contracts are embarked upon on the principles of transparency, competitiveness, and corporate decision making and in line with the Public Procurement Act 2003 (Act 663). The Tender Committee is made up of four members as follows

- ❖ Mr. Stephen Tetteh  
Chairman
- ❖ Mr. Daniel K. Glymin  
Member
- ❖ Mr. Kwame Adutua-Amakye  
Member
- ❖ Mr. Dornu D. Narnor  
Member

## Business Conduct Committee

The Business Conduct Committee (BCC) consists of five (5) members drawn from within the Board and a representative each from the Bank, the Non-Bank participants and the Central Bank of Ghana. The BCC was set up to monitor the operations relating to risk Management and the Guaranteed Fund and to consider 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 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

## Audit Committee

The Audit Committee determines whether the accounts and reporting policies of CSD are in accordance with the legal and established ethical requirements. The Committee also provides an oversight responsibility in the risk Management of the Depository as well as appraising the effectiveness of the system of accounts and internal controls. It comprises of three (3) members.

- ❖ Mrs. Kokui Adzo Adu  
Chairperson
- ❖ Mrs. Caroline Otoo  
Member
- ❖ Dr. David Obu Andah  
Member



## 5.0 BOARD CHAIRMAN'S STATEMENT

**DR. H.A.K. WAMPAH**  
*(Board Chairman)*



### Introduction

I am pleased to welcome you to the annual general meeting of the Depository for the year ended December 31, 2013. I must emphasise that this year has been a very eventful and a successful year in the operations of the Depository.

As you were reliably informed in 2012 during the annual general meeting, the heads of departments who were on secondment from Bank of Ghana have all reverted back to Bank of Ghana since April, 2013. I therefore want to thank them for the tremendous roles they played in the development of the Depository. In their place three new heads have been employed.

### 2013 Financial Review

During the year under review, the issuer fee charged by CSD was revised from 0.005% to 0.015% and approved by the Securities and Exchange Commission. This has tremendously improved the financials of the Depository. The Depository recorded a profit before tax of GHS 2,418,104 from which GHS 615,529 was paid as tax giving a profit after tax of GHS 1,802,575. The total assets of the Depository is GHS 8,492,088 as at December 31, 2013.

### Board of Directors

It is the responsibility of the Board to set strategic policies necessary for the growth and development of the Depository and also to oversee the overall management of the activities undertaken by the Depository for the realisation of its vision. To this end the Board will not compromise on the execution of its responsibilities but continue to accomplish those responsibilities in a firm and fair manner as required by the Regulations of the Depository and the Companies Code.

The Board membership of CSD is seven (7). The Chairman of the Board of Directors has no Executive Officer position. The membership is composed of six (6) independent external Directors of which two (2) are from Bank of Ghana and the Chief Executive Officer who heads the Management team of the Depository. The Board members have in-depth experience and knowledge spanning

in the areas of Information Technology, Law, Economics, Finance, Management, Capital Market and Accounting which tend to influence to a great extent the policy directions of the Board for the general benefit of the Depository. The Board met on six (6) occasions during 2013.

I regret to announce that we lost one Board Member during the year. Mr. Alex Yao Tetteh, the representative of the Ministry of Finance and Economic Planning died in March, 2013. May his soul rest in perfect peace.

As a result of the merger with the Ghana Stock Exchange Securities Depository (GSD), the Board has been expanded to eleven (11) members. They have charged themselves to oversee the smooth transition of the merger entity to operate a single platform with a single database. We are in the process of negotiating the acquisition of a new state of the art post trade platform that will offer more functionalities to meet the changing needs of the market and international investors.

## The Year Ahead

Concerning the future role of the Depository in Ghana, I am delighted about the prospects of the capital market and the general financial community in Ghana. The Depository has a lot of opportunities to exploit in the Ghanaian economy at large. The Depository will therefore, continue to pursue and offer innovative and attractive services to the financial market so as to yield the desired output to the shareholders. In view of this, the Board of Directors have envisioned to pursue the following agenda in 2014:

1. Development of a five-year-strategic plan that will shape the path of the Depository during the medium term period.

2. Migration of equities and debt instruments onto a single CSD system to be linked with the Ghana Stock Exchange Automated Trading System.
3. The Depository will identify alternative services that have the potential to increase its revenue base.
4. Develop and train highly motivated, skilled, and committed individuals and teams to achieve the goals of the Depository.

## Appreciation

I wish to extend my sincere appreciation and gratitude to the shareholder for her commitment in the development of the Depository. Also on behalf of the Board of Directors, I would like to thank the Management and Staff for your irreplaceable and dedicated service in 2013. Finally I want to thank all the stakeholders of the Depository for their collaboration and support towards the Depository in Ghana.

Thank you.



Dr. Henry Kofi Wampah

Board Chairman



## 6.0 CHIEF EXECUTIVE OFFICER'S STATEMENT

**STEPHEN TETTEH**  
(CEO)



### Introduction

The Depository's performance in 2013 has been impressive, an indication that CSD is on the path of becoming a first class Depository providing efficient and cost effective services in Ghana's securities market. Report on the financial statements for the year under review also shows a remarkable improvement. This could be attributed to the role played by our visionary Board of Directors, Management and hardworking Staff who have aligned themselves to the realisation of the vision for the establishment of the Depository. I am therefore, delighted to present to you highlight of activities undertaken during the year 2013.

Our major goals for the year 2013 were to secure ISO 27001 certification from International Standard Organisation (ISO), to achieve a Straight-Through-Processing (STP) capability through an interface with the GIS of Bank of Ghana, to merge with the GSE Securities Depository Ltd (GSD) and to establish a Guarantee Fund.

The CSD was awarded an ISO 27001 certificate by the International Organisation for Standardisation. The ISO 27001 certificate is to reinforce the risk Management procedures of the Depository particularly in the areas of information dissemination and business continuity plan.

The implication of the ISO 27001 certificate is that our information security Management meets international standards as recognised by ISO. This goes to a greater extent to increase public confidence among the investor community, particularly in the way CSD manages the information it holds on behalf of investors. It behoves therefore on CSD to maintain these standards.

In line with international best practice in securities market settlement, the Depository interfaced the securities settlement system of the CSD with the fund settlement system of Bank of Ghana to facilitate a straight-through-process to achieve delivery-verses-payment (DVP) in both the primary and secondary markets. Movement of funds and securities are now synchronised such that securities are available on the instant funds are confirmed. The link is achieved through the secured SWIFT network.

I am happy to inform you that the merger agreement between the CSD and GSE Securities Depository Company Ltd (GSD) which was initiated as far back as 2010 was completed successfully in 2013. A merger agreement has been signed between the two depositories with CSD as the surviving entity. The merger of the two depositories will generate synergy to the Depository, cut down on transactions cost in the market and to exploit economies of scale. With the merger, CSD is currently owned by BoG and GSE with a shareholding structure of 82% and 18% respectively.

The merger has several implications for the Depository. Prominent among them is the migration of both equities and debt securities unto a single CSD system or platform which must be linked to the GSE for smooth operations in secondary market activities. The migration of data to the single platform is required to be completed within the transition period of one year. The merger has also expanded the scope of services of the Depository principally in the area of registrar services. I am glad to inform you that CSD now operates a registrar services and is presently a registrar to Tullow Oil Company Ltd, AFB, New Gold ETF and Cal Bank Ghana Ltd.

The objective of establishing a Guarantee Fund however was not realised in 2014 due to the merger. This agenda will be pursued vigorously in the coming year.

## Highlights on 2013 Financial Performance

The total asset of the Depository increased by 45% from GHS 5,867,295 in 2012 to GHS 8,498,088 in 2013. Profit before tax rose by 255% to GHS 2,418,104. The operating income for the Depository increased from GHS 2,784,826 in

2012 to GHS 5,402,861 representing an increase of 94%. Operating expenses for the Depository increased by 42% from GHS 2,103,346 in 2012 to GHS 2,984,757 in 2013.

## Highlights on 2013 Operational Performance

The number of investor accounts registered by CSD increased by 19.20% from a figure of four hundred and sixty seven thousand one hundred and forty five (467, 145) in 2012 to five hundred and fifty six thousand eight hundred and thirty seven (556,837) for the year ended 2013. The value of securities processed and paid out to investors in the security market as maturity and interest payments proceeds increased by about 58.86% from a value of about GHS 21,938 million during 2012 to about GHS 34,850 million in 2013. The face value of securities settled by CSD in the repo market also rose by about 52.27% from a value of about GHS 53,959 million in 2012 to about GHS 82,163 million in 2013. The value of securities settled through the over-the-counter (OTC) market by CSD experienced a decline of about 5.56% in 2013 from a value of GHS 13,042 million in 2012 to a value of GHS 12,317 million during 2013. As at the end of December 31, 2013 the total value of securities held by CSD on behalf of both local and foreign investors in Ghana's securities market stood at about GHS 24,396 million.

## Outlook for 2014

The goal of the Depository is to position itself as a strategic Financial Market Infrastructure (FMI) in the country by harnessing the opportunities available to her within the economy. Consequently, the Depository will undertake self-assessment in line with the guidelines set by International

Organisation for Securities Commission (IOSCO) for all institutions classified as FMIs.

Moreover, the Depository plans to establish a Guarantee Fund to cover both the equity and debt markets. In order to promote price discovery the Depository will provide up to date data to the market through monthly and quarterly statistical bulletins and other publications on our website.

A new CSD system will be installed to migrate both debt and equity securities unto a single platform.

CSD will continue to adhere to the obligations set by International Standard Organisation under ISO 27001.

A medium term strategic plan will be developed in 2014 to serve as a policy guide towards the development of the Depository.

Finally, the Depository will embark on vigorous public education on the role of the Depository in the securities market and the economy. This is to deepen the knowledge and understanding of investors about the activities of the Depository.

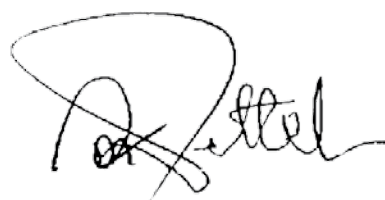
We plan to increase the share certificates that are surrendered for dematerialisation to about 85%.

## Acknowledgement

I am very much appreciative to our shareholder Bank of Ghana and the Securities and Exchange Commission as well as our various stakeholders who continue to support the Depository in its endeavours.

I am also grateful to the Board of Directors and the entire Staff of the Depository for the hard work they have put in to help bring the Depository this far.

Thank you all.



Stephen Tetteh  
Chief Executive Officer





Some Board members and Staff with former Heads of Departments @ a send-off party organised for the last batch of Staff on secondment from Bank of Ghana to CSD.



Mr. Stephen Tetteh-CEO making a presentation @ a seminar organised by CSD for Depository Participants in Accra, Ghana.



Signing of merger agreement between CSD & GSD on 24/12/2013. Seated Right- Dr. Kofi Wampah (Board Chairman, CSD) and Mr. Franklin Asafo-Adei (Board Chairman, GSD).



CSD Staff with some Staff of Bank of Ghana @ a seminar on ISO 27001 Information Security Management System (ISMS) organised for Staff of CSD on 10/03/2013.

## 7.0 2013 ACTIVITIES

### 7.1 Staff Matters

During the year, three (3) new staff were recruited bringing the total number of staff at the end of the year to seventeen (17). The last batch of personnel seconded from Bank of Ghana to CSD reverted to Bank of Ghana in April, 2013. They were subsequently replaced by three (3) new heads to head the various Departments.

### 7.2 Staff Training and Professional Developments

Staff development is key to CSD. Consequently, some staff members participated in both international and domestic programmes to enhance their skills and knowledge in the operations of Depository activities. Among the training programmes that staff participated in during 2013 were:

- ▶ Implementing ISO 22301, London, UK
- ▶ Strategic Management, London, UK
- ▶ Financial Analysis and Reporting, London, UK
- ▶ SWIFT Technical Training, Dubai, UAE
- ▶ Finance for Non-Finance Managers, London, UK

CSD also participated in conferences organised by

- ▶ World Exchange Congress, London, UK
- ▶ World Federation of CSDs, St. Petersburg, Russia
- ▶ Association of Africa and Middle East Depositories Association (AMEDA), Dubai
- ▶ African Securities Exchanges Association (ASEA) in Abidjan
- ▶ SWIFT(Sibos), Dubai, UAE

### 7.3 Seminars and Training Programmes for Depository Participants

CSD organised two (2) seminars for Depository participants. On 9<sup>th</sup> July, 2013 CSD hosted a seminar specifically designed for Heads of Treasuries of all the Banks in Ghana, Heads of Brokerage firms and Heads of Custodian institutions in Accra to educate them on the CSD system's interface with RTGS via SWIFT messaging model, and the automation of the repo market. During the seminar a presentation was made on a Composite Bond Index developed by NDK financial services, a financial institution operating in Ghana. On 10<sup>th</sup> October, 2013 another seminar was held to brief the DPs on the final draft of the CSD/ RTGS interface.

In view of the integration, compulsory hands-on-training sessions were scheduled for staff of all the DPs to understand and acquaint themselves with the Straight through Processing (STP). CSD organises periodic training programme for Staff of registered users (DPs) to refresh their knowledge on the activities of the Depository upon request. For new Depository participants (new entrance) it is mandatory for them to undergo a three-day training programme with the Depository. A-three (3) day training programme was organised for each of the eight (8) DPs who requested CSD to train their Staff members.

### 7.4 Review of Fees and Charges

In 2013 the CSD in consultation with some market players adjusted its fees and charges. SEC approved for the CSD to increase its issuer fees from 0.005% to 0.018% of which 0.003%

is transaction levy collected on behalf of SEC by the CSD. Table 1 below summarises the fees and

charges in place as at the end of the year 2013.

*Table 1 : Fees and Charges*

Category	Payer	Fees	Regularity
Admission Fee	Depository Participant	GH¢ 6,000	Once
Subscription	Depository Participant	GH¢ 2,000	Annual
Issuer Fee	Issuer	0.018%	Per issued amount
Repurchase Agreement	Lender and Borrower	Gh¢10.00	Per transaction
Assignment	Lender and Borrower	Gh¢10.00	Per transaction
Trades	Buyer/Seller	<ul style="list-style-type: none"> <li>• Nil for amount less than Gh¢1,000</li> <li>• 0.005% for amount between Gh¢1,000 – Gh¢1,000,000 (minimum charge of Gh¢5.00)</li> <li>• 0.003% for amount between Gh¢1,000,001- Gh¢10,000,000.00</li> <li>• A flat rate of Gh¢400.000 for amount above Gh¢ 10,000,000.00</li> </ul>	
Statement of Account	Requester	Ordinary Gh¢5.00 Security Paper Gh¢20.00	Per Account Per Account
Transfer of Securities	Requester	Gh¢20.00	Per Transfer
Penalties	Ten times transaction charge for non-reporting; others to be instituted later		

Source: CSD

## 7.5 External Associations

CSD is a member of the Africa Middle East Depositories Association (AMEDA). In 2013 the Depository participated in all the meetings of AMEDA. Similar to 2012, CSD took part in the annual data gathering project exercise undertaken by the Association of Global Custodian Information Gathering Project in 2013; and our responses to the questionnaire is publicly available and can be assessed on our website ([www.csd.com.gh](http://www.csd.com.gh)).

For 2013, CSD maintained its "A-" rating awarded by Thomas Murray in 2012.

## 7.6 Information Security Management System (ISMS)- ISO 27001 Certification

As part of strengthening the information security management system and to improve on the business continuity plan of the Depository, CSD made it her agenda in 2012 to acquire a certificate from International Organization for Standardization (ISO). The process which was initiated in 2012 was completed in 2013 and upon passing the prerequisite criterion needed for certification; CSD was awarded an ISO 27001 certificate by International Standardization Organization. Per the ISO certification, CSD is required to adhere strictly to the rules and standards as spelt out in ISO 27001.



## 7.7 Straight-Through-Processing (STP)

In 2012, CSD set it out as part of her objective to achieve STP which is the practice in international securities settlement processing. The STP project which commenced in 2012 was completed and implemented successfully in October, 2013. The STP was realised through the integration of BoG RTGS system with the CSD system through a SWIFT messaging standard. As a result of the implementation of the STP mechanism, secondary market trades (rediscount instruments) and repurchase agreements (Repos) are now settled electronically. In the Repo market, transactions are settled on bilateral basis and on real time. Transactions in the OTC market for rediscount instruments are settled on gross and net basis for securities and funds respectively. The advantage of settling the fund settlement on net basis is to reduce liquidity risk in the market.

The integration of the RTGS and CSD systems has also enhanced settlement activities in the primary market by eliminating the “domino effect”. Hitherto, (to the adoption and implementation of the Straight-Through-Processing) the auction system owned by Bank of Ghana but managed by CSD posed some form of systemic risk in the primary market. This is because the inability of a Primary Dealer to fulfil her fund settlement obligation entirely and on time had a tendency to delay the entire settlement process in the primary market as far as the securities settlement was concerned, hence denying non-defaulting Primary Dealers (PDs) the ability or opportunity to use their securities for secondary market transactions on the mandatory settlement day of T+1 in the primary market. However, with the interface of the CSD-RTGS systems (STP) through the SWIFT messaging format this form of systemic risk has been eliminated entirely. This is because on the day of settlement (T+1) in the primary market

a defaulting PD who is unable to fulfil its fund settlement obligation can no longer hold the entire primary market (or issuers from settling securities on behalf of non-defaulting PDs) on the basis that settlements for both fund and securities are now done on transaction per transaction basis using the first-in-first-out (FIFO) model. The advantage then is that, if a particular Primary Dealer is able to fulfil her fund settlement obligation on time, that particular Primary Dealer will simultaneously receive her securities settlement without waiting for the other Primary Dealers to fulfil their fund settlement obligations.

## 7.8 Cut off Times for CSD Transactions

Following the integration of the CSD and RTGS systems, the following cut of times for CSD transactions are triggered automatically by the system. The cut of times were agreed upon by CSD with the market participants during a user group meeting. This is aimed to avoid uninterrupted service provision to market participants.

- Outright trades (rediscounts) – 4.00 pm
- Repo/ Reverse Repo – 5.00 pm
- Client Registration/ Other – 5.00 pm
- Trades Settlement – 4:20 pm

## 7.9 Merger of CSD and Ghana Stock Exchange Depository (GSD)

The merger process which effectively began in 2012 between the CSD and GSE Securities Depository Company Ltd (GSD) was completed successfully in 2013. As a result, a merger agreement was signed between the two depositories on 24 December, 2013 to operate as a single Depository beginning

1 January 2014. Per the merger agreement, the Central Securities Depository of Ghana Limited (CSD) will be the surviving entity with an existing number of issued shares of 3,500,000. In terms of ownership structure, Bank of Ghana and Ghana Stock Exchange will own 82% and 18% respectively. It is projected that the Ghana Stock Exchange will increase its shareholding from 18% to 30% within one (1) year at a price existing at the time of the merger. The shareholders (Bank of Ghana and Ghana Stock Exchange) will form a new Board of Directors to spearhead the activities of the merged Depository in 2014 and all Staff of the Ghana Stock Exchange Depository will be absorbed into the newly merged Depository.

## 8.0 ON-GOING ACTIVITIES

### 8.1 Multiple Settlements

The process to introduce multiple securities settlements (T+0, T+1, T+2 and T+3) in the CSD system during OTC transactions was initiated in 2013.

### 8.2 E-Mail Statement of Accounts

The CSD started working on a project to process and send monthly securities account statements to account holders via securities account holders' e-mail in 2013. A public notice was issued to this effect entreating DPs to compile all the e-mail addresses of interested investors for this all important exercise. The process is still on going.

## 9.0 PERFORMANCE

### 9.1 Depository Participants (DPs)

CSD admitted seven (7) new Depository participants (DPs) in 2013. This led to an increase in the number of DPs from forty two (42) in 2012 to forty nine (49) in 2013 as shown in table two (2) below. The new DPs admitted by CSD in 2013 comprises of the Royal Bank of Ghana, Societie General Ghana Custody Services, Access Bank Custody Services, Guarantee Trust Custody Services, Fidelity Bank Custody Services, Cal Brokerage Ltd, and IC Securities Ltd.

Table 2: Depository Participants

Type of Institution	2012	2013
Commercial Banks/Apex Bank	26	27
Custodians	8	12
Brokerage/Discount	6	8
Central Bank	1	1
SNNIT	1	1
<b>Total</b>	<b>42</b>	<b>49</b>

Source: CSD

### 9.2 Client Registration

The total number of investor accounts registered by the Depository grew by about 19% from a figure of four hundred and sixty seven thousand one hundred and forty five (467,145) in 2012 to five hundred and fifty six thousand eight hundred and thirty seven (556,837) during 2013 as shown in table three (3) below. The total number of new investors accounts opened with the Depository in 2013 was eighty nine thousand six hundred and ninety two (89,692) an increase of about 27% over the seventy thousand four hundred and sixty three (70,463) new investor accounts opened in 2012.



Table 3 : Investor Accounts Registered

Year	New Accounts Registered	Total
2011	40,536	396,682
2012	70,463	467,145
2013	89,692	556,837

Source: CSD

## 9.3 Primary Market Activities

### 9.3.1 Issued Securities

The face value of all securities issued in the primary market for the year 2013 was about GHS 36,491 million an increase of about 36% over the value of about GHS 26,734 million for all securities issued in 2012. In terms of targeted amount, the target

of the issuers in 2013 was to raise an amount of about GHS 37,038 million through the securities market as against a targeted amount of about GHS 26,622 million in 2012, an increase of about 39%. The total value of bids submitted by investors in 2013 was about GHS 42,113 million as compared to a value of about GHS 32,128 million bids submitted in 2012 showing an increase of about 31%. Out of the GHS 42,113 million bids submitted in the primary market, the issuers accepted about GHS 36,491 million representing about 87% of the entire bids submitted at the various auctions held in 2013. Table four (4) provides summary information on issued securities.

Table 4 : Summary of Issued Securities per Issuers

Issuer	Targeted Amount (GH)		Submitted Bids		Issued Amount		
	2012	2013	2012	2013	2012	2013	% Change
Government of Ghana	20,272,476,451	27,134,138,953	25,170,786,129	31,263,153,651	20,210,381,250	26,658,730,026	31.91
Bank of Ghana	2,491,751,612	8,608,081,783	2,611,893,978	9,554,523,275	2,475,150,357	8,539,613,762	245.01
Cocoa Board	3,858,230,000	1,295,597,436	4,345,314,601	1,294,873,098	3,845,765,965	1,292,873,098	-66.38
SADA	202,531,646	-	202,531,646	-	202,531,646	-	-
<b>Total</b>	<b>26,622,458,063</b>	<b>37,037,818,172</b>	<b>32,127,994,708</b>	<b>42,112,550,024</b>	<b>26,733,829,218</b>	<b>36,491,216,886</b>	<b>36.50</b>

Source: CSD

### 9.3.2 Number of Securities Issued

Three hundred and thirty five (355) securities with various tenures were issued in the primary market for the year ended 2013 as compared to two hundred and eighty nine (289) different securities issued in 2012. Out of the three hundred and thirty five (355) different securities issued, Government of Ghana, Cocoa Board and Bank of

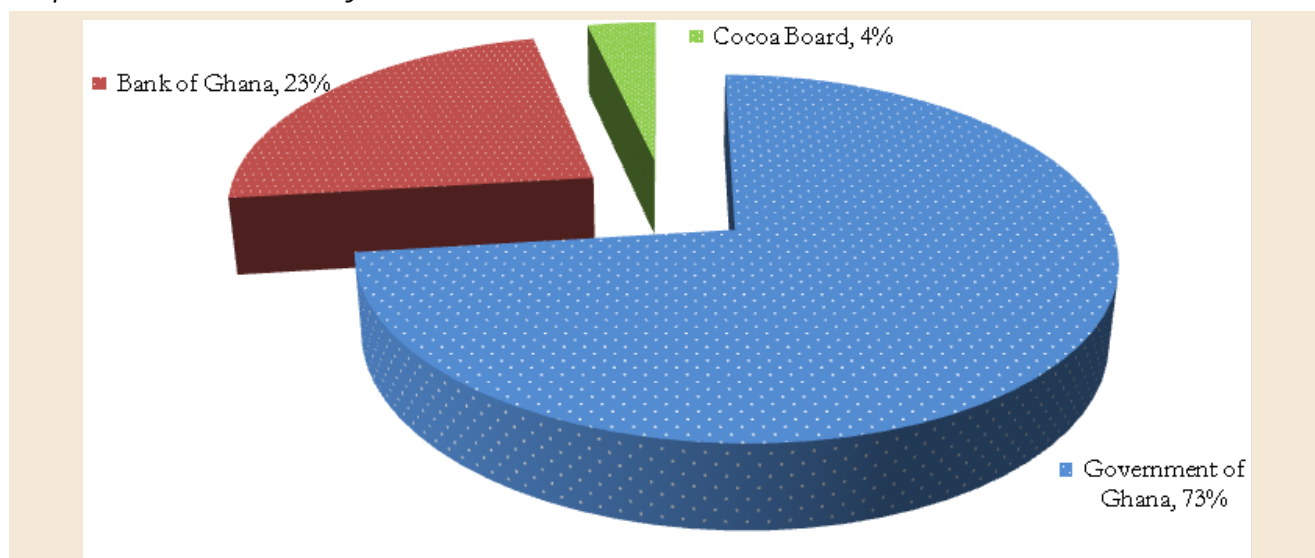
Ghana issued two hundred and seventeen (217), five (5) and one hundred and thirty three (133) respectively as indicated in table five (5) below. The tenure of securities issued increased by the issue of the 7- Year Bond by government thus extending the yield curve. The 7-Year Bond was issued on 25/11/2013 to raise an amount of GHS 100,155,000. The interest rate was 18.00%

Table 5 : Number of Securities Issued

Issuer	Tenure / Type of Security	Number of Times Issued	
		2012	2013
Government of Ghana	91 Day GoG	52	53
	182 Day GoG	52	53
	1 Year GoG	52	53
	2 Year GoG	52	52
	3 Year Fixed GoG	3	3
	3 Year Floating SADA	3	-
	5 Year Fixed GoG	2	1
	7 Year Fixed Bond	-	2
Cocoa Board	182 Day Cocoa	11	5
Bank of Ghana	1 Month BoG	30	51
	2 Month BoG	30	38
	9 Month BoG	2	43
	1 Year GoG	-	1
Total		289	355

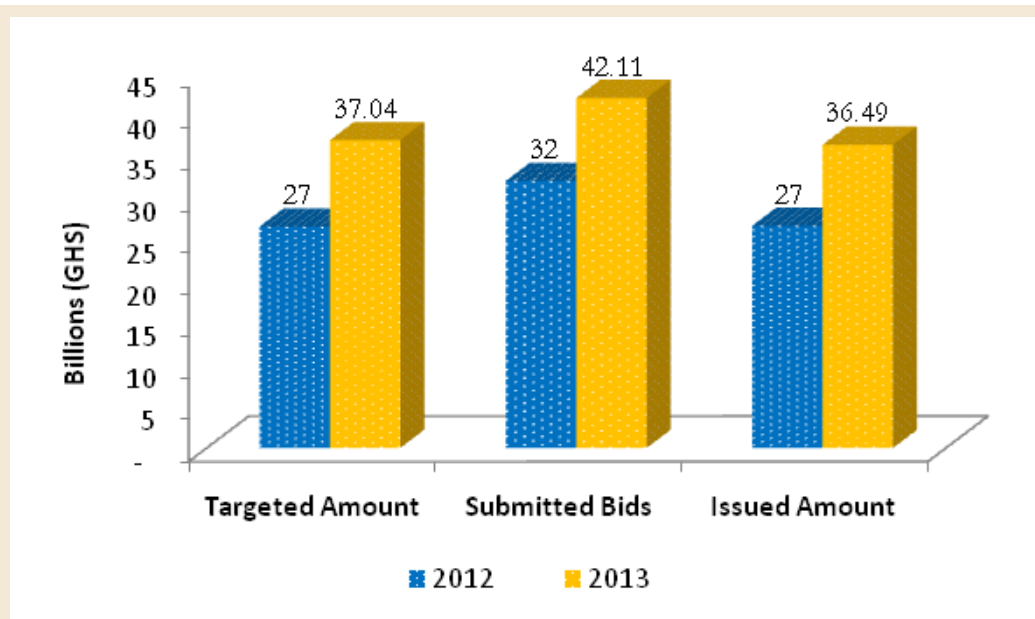
Source: CSD

Graph 1 : Securities Issued by Issuers in 2013



Source: CSD

Graph 2 : Issued Securities



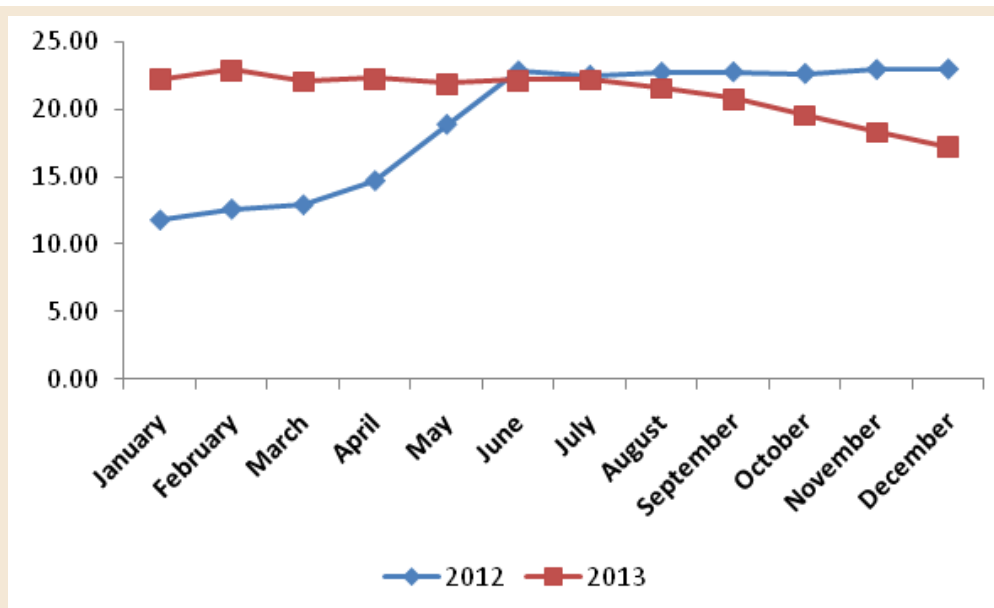
Source: CSD

### 9.3.3 Coupon (Interest) Rates on Notes and Bonds

The average yearly coupon rate on bonds and notes issued in 2013 was about 21% as compared to 19% in 2012 thus showing an upward trend in interest rates during the year. The year started with an average coupon rate of 22.26% for the

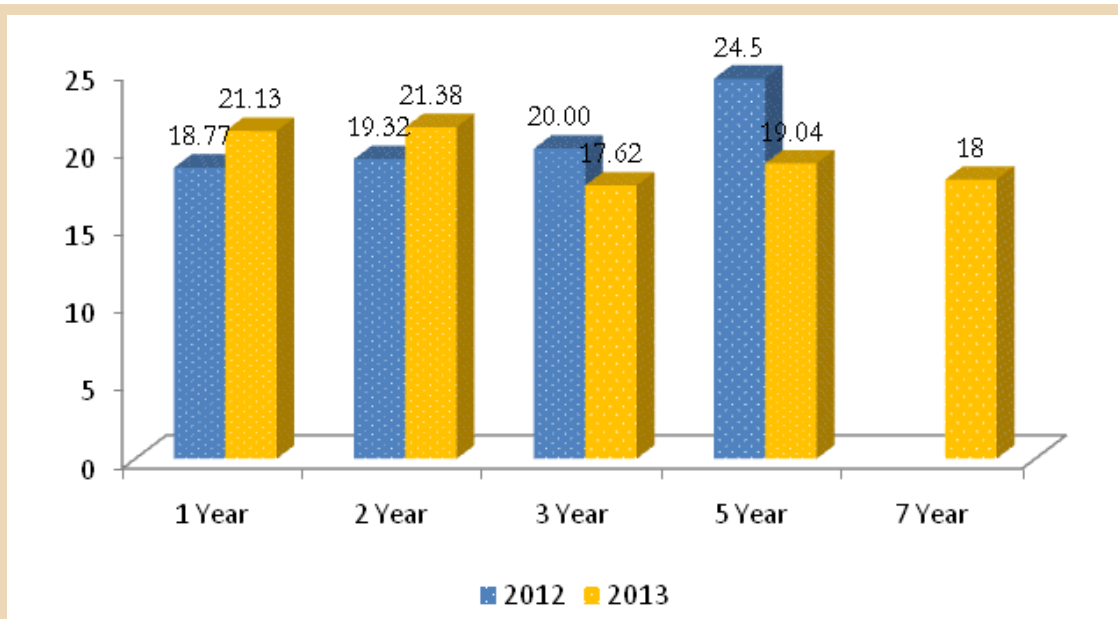
month of January and ended with a coupon rate of 17.22% in December, 2013. The average yearly coupon rate for the 1 Year Note, 2 Year Note, 3 Year Fixed Bond, 5 Year Fixed Bond and 7 Year Fixed Bond during 2013 were 21.13%, 21.38%, 17.62%, 19.04%, and 18% respectively.

Graph 3 : Average monthly Coupon rate for Notes and Bonds (%)



Source: CSD

Graph 4 : Average yearly coupon rate on Notes and Bonds (%)



Source: CSD

### 9.3.4 Outstanding Securities

The face value of all outstanding securities issued by GoG, BoG, Cocoa Board and SADA stood closed to GHS 24,396 million as at the end of December, 2013. The composition of outstanding securities of GHS 24,396 million is made up of about 39%, 26% and 35% of bills, notes and bonds respectively

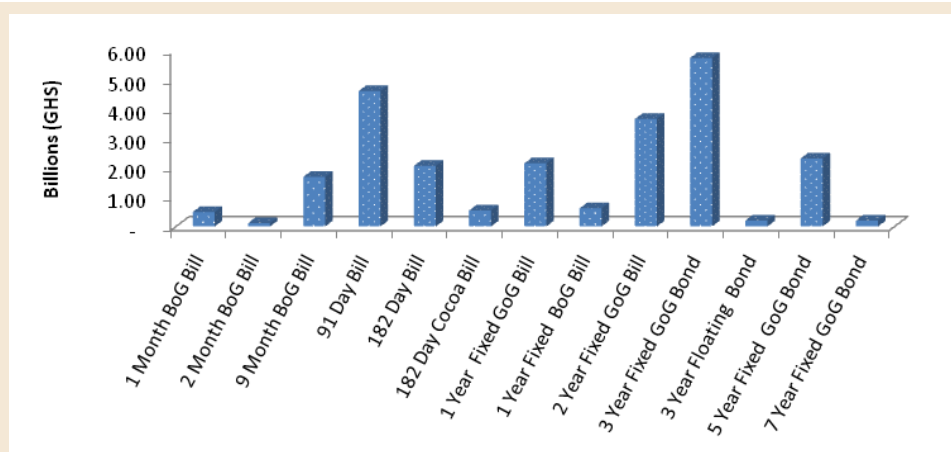
as shown in table six (6) below. Out of the GHS 24,396 million, Government of Ghana securities formed about 85% as indicated in table six (6) below. The 3 Year fixed rate bond is the security with the most outstanding face value of about GHS 5,741 million forming about 24% of the entire value of outstanding securities for the year ended December, 2013.

Table 6 : Issued Securities for 2013 and Outstanding Securities

Issuer	Tenure of Security	2012			Face Value Outstanding	
		No. of Issue	Value of Issue (GHS)	% of Total Issue	GHS	%
Government of Ghana	91 Day Bill	53	16,526,358,171	45.28	4,611,499,234	18.90
	182 Day Bill	53	3,501,504,758	9.59	2,061,498,604	8.45
	1 Year Fixed GoG Bill	53	2,148,129,613	5.89	2,148,129,613	8.81
	2 Year Fixed GoG Bill	52	2,327,251,923	6.38	3,660,512,042	15.00
	3 Year Fixed GoG Bond	3	1,307,468,727	3.58	5,741,247,625	23.53
	3 Year Floating Bond	-	-	-	202,531,646	0.83
	5 Year Fixed GoG Bond	1	649,956,000	1.78	2,317,899,000	9.50
	7 Year Fixed GoG Bond	2	201,720,000	0.55	201,720,000	0.83
Cocoa Board	182 Day Cocoa Bill	5	1,292,873,098	3.54	544,318,959	2.23
Bank of Ghana	1 Month BoG Bill	51	5,005,737,498	13.72	491,787,564	2.02
	2 Month BoG Bill	38	978,610,689	2.68	111,636,761	0.46
	9 Month BoG Bill	43	1,938,615,575	5.31	1,686,430,816	6.91
	1 Year Fixed BoG Bill	1	616,650,000	1.6	616,650,000	2.53
Total		355	36,494,876,052	100.00	24,395,861,864	100.00

Source: CSD

Graph 5 : Outstanding Securities



Source: CSD

### 9.3.5 Holdings of Investors

The aggregated face value of the entire securities held by the Depository on behalf of investors as at the end of December, 2013 was about GHS 24,396 million. Foreign investors held about 27% of the entire holdings of about GHS 24,396 million

for the year ended 2013 while the Commercial Banks consisting of both the primary dealers and non-primary dealers in Ghana's securities market held about 34% as indicated in table seven (7) below. Foreign investors are currently not allowed to hold securities with tenures of less than three years.

Table 7 : Summary of Holdings for Outstanding Securities as at December, 2013.

Client Type	1 Month BoG Bill	2 Month BoG Bill	9 Month BoG Bill	91 Day Bill	182 Day Bill	182 Day Cocoa Bill	1 Year GoG FXD Note
Bank of Ghana	-	-	67,000,000	152,825,935	462,545,453	301,944,500	67,225,823
Commercial Banks	451,726,815	80,925,633	1,560,070,942	675,976,665	814,902,021	242,374,459	1,300,089,912
Firms and Institutions	60,749	711,128	27,662,788	1,593,302,341	253,845,148	-	379,393,256
Insurance Companies	-	-	3,444,684	4,923,226	36,327,472	-	4,835,266
Foreign Investors	-	-	-	-	-	-	-
Rural Banks	-	-	15,624,000	183,860,171	54,540,744	-	38,739,536
SSNIT	40,000,000	30,000,000	12,548,000	25,023,024	38,268,898	-	28,946,230
Others	-	-	80,402	1,975,587,872	401,068,868	-	328,899,590
<b>Total</b>	<b>491,787,564</b>	<b>111,636,761</b>	<b>1,686,430,816</b>	<b>4,611,499,234</b>	<b>2,061,498,604</b>	<b>544,318,959</b>	<b>2,148,129,613</b>

Source: CSD

Table 7 (Cont.)

Client Type	1 Year BoG Note	2 Year GoG FXD Note	3 Year GoG FXD Bond	5 Year GoG FXD Note	3 Year FLR Bond	7 Year GoG FXD Bond	Total Amount	
							GHS	%
Bank of Ghana	-	111,109,117	191,282,555	313,937,000	-	92,000,000	1,759,870,383	7.21
Commercial Banks	-	2,226,850,857	431,447,111	303,447,335	167,531,646	103,000,000	8,358,343,396	34.26
Firms and Institutions	-	961,217,062	24,360,946	76,887,593	-	1,720,000	3,319,161,011	13.61
Insurance Companies	616,650,000	10,755,020	2,510,000	3,100,000	-	-	682,545,668	2.80
Foreign Investors	-	-	5,067,395,844	1,613,358,250	-	-	6,680,754,094	27.38
Rural Banks	-	37,111,380	-	-	20,000,000	-	349,875,831	1.43
SSNIT	-	42,034,762	23,798,329	2,400,000	15,000,000	5,000,000	263,019,243	1.08
Others	-	271,433,844	452,840	4,768,822	-	-	2,982,292,238	12.22
<b>Total</b>	<b>616,650,000</b>	<b>3,660,512,042</b>	<b>5,741,247,625</b>	<b>2,317,899,000</b>	<b>202,531,646</b>	<b>201,720,000</b>	<b>24,395,861,864</b>	<b>100.00</b>

Source: CSD

## 9.4 Secondary Market Activities

### 9.4.1 Corporate Action

A total amount of about GHS 34,850 million was paid out as maturity and interest payments proceeds to 1,033,637 beneficiary investors. The maturity and interest payments proceeds increased by about 59% from an amount of about GHS 21,938 million in 2012 to about GHS 34,849

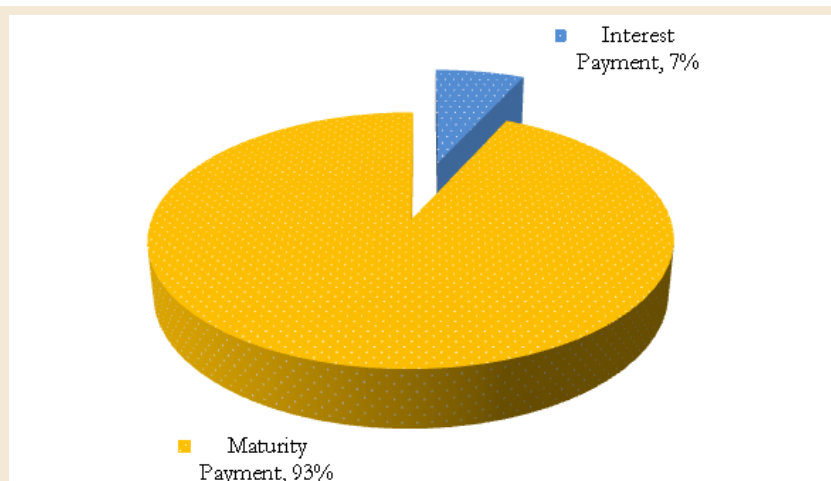
million in 2013. The number of beneficiaries also rose by about 23% from 840,832 investors in 2012 to 1,033,637 investors in 2013 confirming an increased level of investor activity and participation in the market. Out of about GHS 34,850 million paid to investors in 2013, about 46% went into the payment of maturity proceeds for the 91Day Treasury Bills as indicated in table eight (8) below.

Table 8 : Interest and Maturity Payments

Action Type	Security Type	Number of Beneficiaries		Amount Paid (GHS)		
		2012	2013	2012	2013	
					GHS	%
MP	1 Month BoG Bill	147	339	1,860,340,359	5,432,888,216	15.6
MP	2 Month BoG Bill	18	100	84,844,598	1,027,467,589	2.9
MP	9 Month BoG Bill	-	28	-	305,853,908	0.9
MP	91 Day Bill	763,266	936,070	10,913,427,489	16,190,978,916	46.5
MP	182 Day Bill	45,671	54,597	2,073,147,390	2,957,237,096	8.5
MP	182 Day Cocoa Bill	365	54	3,031,365,416	3,307,764,386	9.5
MP	1 Year Fixed Note	8,631	10,568	1,762,201,920	1,067,195,979	3.1
MP	2 Year Fixed Note	1,066	562	800,063,026	391,740,981	1.1
MP	3 Year Fixed Bond	-	194	-	1,803,140,046	5.2
MP	5 Year Fixed Bond	101	-	413,929,267	-	-
<b>Sub-Total</b>		<b>819,265</b>	<b>1,002,512</b>	<b>20,939,319,465</b>	<b>32,484,267,117</b>	<b>93.2</b>
IP	1 Year Fixed Note	17,445	23,607	186,469,142	293,526,389	0.8
IP	2 Year Fixed Note	3,188	6,038	153,054,792	551,803,102	1.6
IP	3 Year Fixed Bond	639	1014	490,097,805	1,120,166,665	3.2
IP	5 Year Fixed Bond	289	452	156,750,023	347,717,490	1.0
IP	3 Year Floating Bond	6	14	12,288,362	52,498,820	0.2
<b>Sub-Total</b>		<b>21,567</b>	<b>31,125</b>	<b>998,660,124</b>	<b>2,365,712,466</b>	<b>6.8</b>
<b>Grand Total</b>		<b>840,832</b>	<b>1,033,637</b>	<b>21,937,979,589</b>	<b>34,849,979,583</b>	<b>100.0</b>

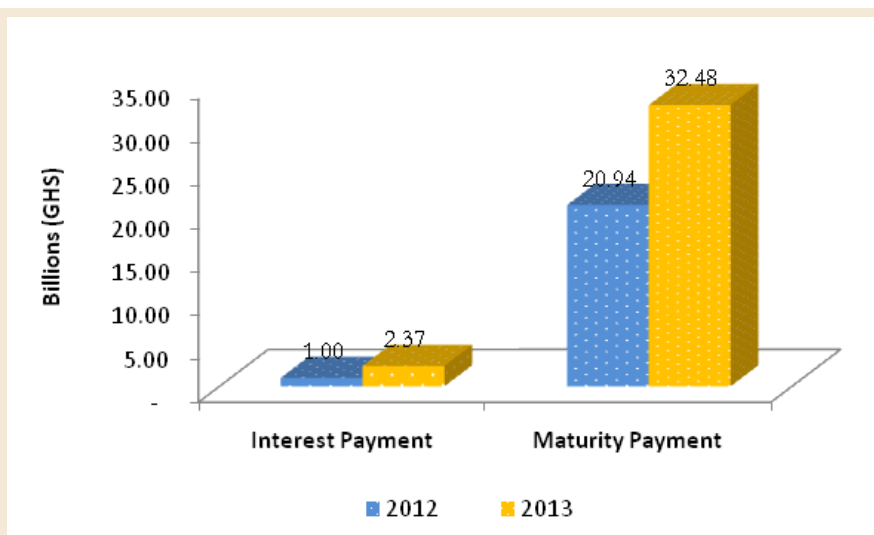
Source: CSD

Graph 6 : Interest and Maturity Payments, 2013



Source: CSD

Graph 7 : Interest &amp; Maturity Payment



Source: CSD

#### 9.4.2 Over-the-Counter Trades (OTC)/ Pre-Negotiated Trades

Sixty one thousand three hundred and fourteen (61,314) transactions undertaken in the OTC market were reported in the Depository system in 2013 as compared to forty thousand two hundred and sixteen (40,216) transactions reported in 2012. This represents about 52% improvement in trade reporting from 2012 to 2013. The face value and the settlement value of all OTC transactions

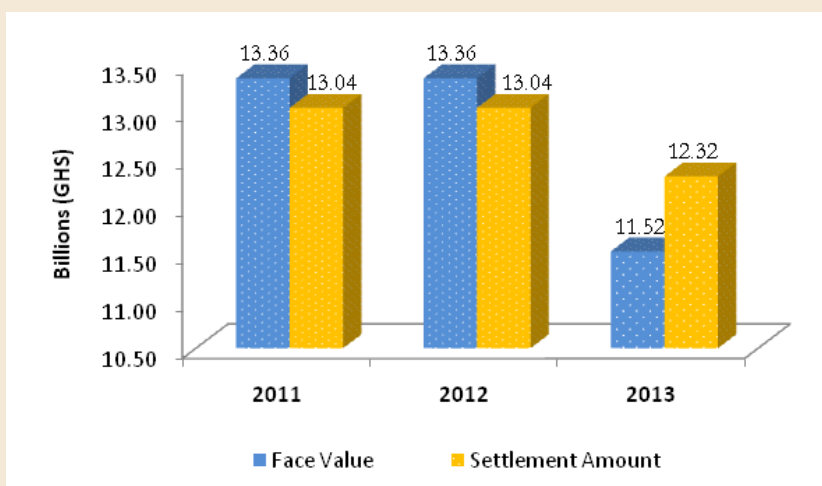
reported in 2013 were about GHS 11,525 million and GHS 12,317 million respectively as against a face value and a settlement value of about GHS 13,356 million and GHS 13,042 million respectively in 2012. The most traded security for the year was the 3-Year fixed rate bond which formed about 57% of all OTC transactions reported to the Depository in 2013. Refer to table nine (9) below for more information on OTC trades.

Table 9 : Transactions in the Over-the-Counter Market

Type of Security	Number of Trades		Face Value (GHS)		Settlement Amount (GHS)		
	2012	2013	2012	2013	2012	2013	%
2 Month BoG Bill	-	6	-	20,000,000	-	19,829,760.00	0.161
9 Month BoG Bill	-	22	-	91,800,000	-	88,215,759.18	0.716
91 Day Bill	30,496	48,222	513,147,672	906,742,200	504,843,100	880,314,253	7.147
182 Day Bill	4,666	6,248	157,446,106	155,440,538	148,804,373	145,203,422	1.179
182 Day Cocoa Bill	66	12	658,188,206	72,610,448	607,009,149	70,179,286	0.570
1 Year Note	1,960	2,472	280,773,990	74,523,438	283,759,253	76,357,093	0.620
2 Year Note	606	1,066	275,832,872	701,035,004	275,884,732	751,749,628	6.103
3 Year Fixed Rate Bond	1,584	2,338	7,327,926,588	6,574,816,324	7,433,502,448	7,067,172,817	57.376
5 Year Fixed Rate Bond	838	926	4,142,187,934	2,927,537,824	3,788,684,049	3,217,976,711	26.126
7 Year Fixed Rate Bond	-	2	-	260,000	-	260,240	0.002
<b>Total</b>	<b>40,216</b>	<b>61,314</b>	<b>13,355,503,368</b>	<b>11,524,765,776</b>	<b>13,042,487,104</b>	<b>12,317,258,971</b>	<b>100.00</b>

Source: CSD

Graph 8 : Over the Counter Trade (Pre-Negotiated Trade)



Source: CSD

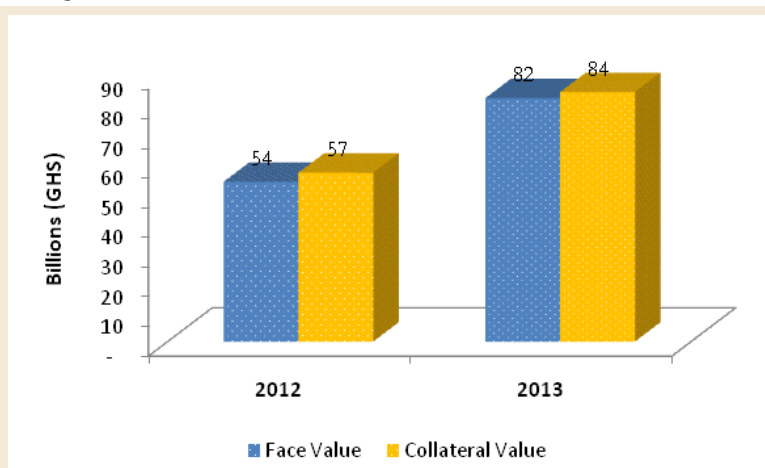
#### 9.4.3 Repurchase Agreement (Repos)

The number of transactions recorded in the repo market increased by about 6% from five thousand eight hundred and six (5,806) in 2012 to six thousand one hundred and fifty seven (6,157) during 2013. The face value and collateral value of all the repo transactions carried out in 2013 were about GHS 82,163 million and GHS 84,220 million respectively as compared to a face value and

collateral value of about GHS 53,959 million and GHS 56,990 million correspondingly in 2012. The number of transactions, undertaken as assignment increased from three hundred and sixty nine (369) in 2012 to six hundred and eighty three (683) transactions during 2013. The aggregated face value of all securities pledged as assignments increased by about 300% from a face value of about GHS 774 million in 2012 to GHS 3,096 million in 2013.



Graphs 9 : Repurchase Agreement



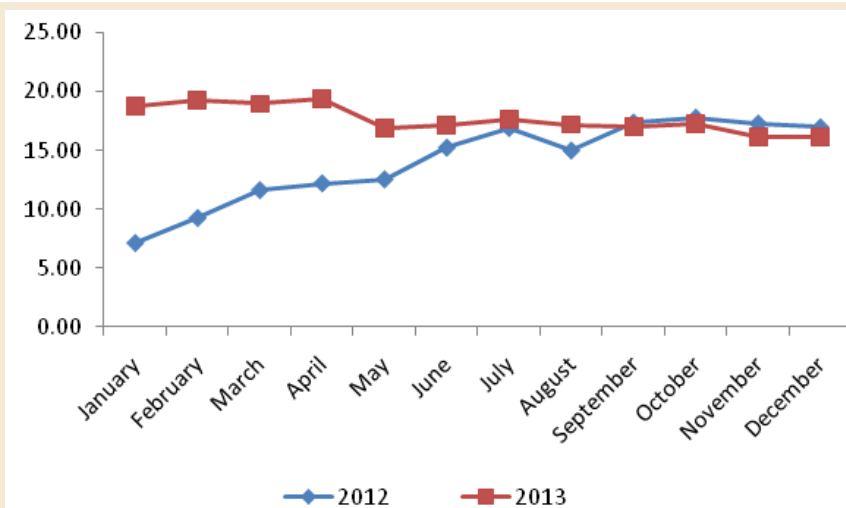
Source: CSD

#### 9.4.4 REPO Rates

The average yearly rate of return in the repo market rose from about 14% during 2012 to about 18 % in 2013. The year 2013 began with

a monthly average repo rate of about 19% in January and ended with a repo rate of around 16% for the month of December.

Graph 10 : Average Monthly Repo Rates (%)



Source: CSD

## 10.0 FUTURE DEVELOPMENTS

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As part of meeting the growing demands of Depository activities by both domestic and foreign investors in the country, CSD has set out to achieve the following during 2014.

### 10.2 Review of the CSD system

The CSD system will be reviewed rigorously in the course of 2014 to examine its adaptability and feasibility of accepting new products.

### 10.1 Development of a Strategic Plan

A consultant will be tasked to develop a five-year strategic plan for the Depository. The strategic plan is aimed to shape the future path of CSD during the medium term period.

## 11.0 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.

**Guarantee Fund:** is the value of funds and securities set aside to serve as a warranty in the fulfilment of transactions during securities trade.

**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.

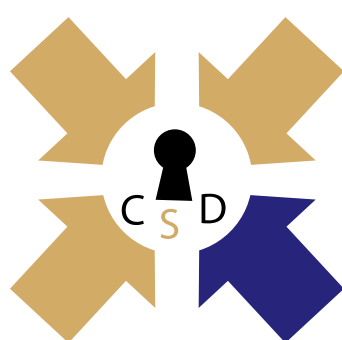
**Secondary Market:** refers to post primary market activities.

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

**Securities:** are financial instruments that represent ownership of one's investment.

**Repo:** is a securities market transaction in which two participants agree that one will sell securities to another and make a pledge to repurchase equivalent securities on a later date at a specified price.





CENTRAL  
SECURITIES  
DEPOSITORY  
*You invest, we protect*

# FINANCIAL STATEMENTS

## 31 DECEMBER 2013

## REPORT OF THE DIRECTORS TO THE MEMBERS

The directors present their report together with the financial statements of Central Securities Depository (GH) Limited as of 31 December 2013.

### Mission of the company

The mission of the Central Securities Depository (GH) Limited (CSD) is to provide a secured and dependable clearing, settlement and depository services to the Government Securities and Money market in an efficient and cost effective manner.

### Statement of directors' responsibility

The directors are responsible for preparing financial statements for each accounting year, which give a true and fair view of the state of affairs of the company as at the end of the accounting year, and of the profit or loss of the company for the year.

In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures, disclosed and explained in the financial statements; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

Accordingly, the financial statements are prepared in accordance with International Financial

Reporting Standards and in the manner required by the Companies Act, 1963 (Act 179).

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the Company and enable the Company to ensure that the financial statements comply with relevant legislations and accounting standards. They are also responsible for safeguarding the assets of the Company and taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Nature of business

The Central Securities and Depository (GH) Limited is a wholly owned subsidiary of Bank of Ghana (BoG). The company is registered and incorporated in Ghana as a private limited liability company under the Companies Act, 1963 (Act 179). CSD has obtained a license from the Securities and Exchange Commission (SEC). The SEC licence enables the company to undertake the business of:

- Providing a central depository for keeping record of beneficiary owners of financial instrument including government securities and in electronic form;
- Undertaking clearing and settlement by book entry of financial instruments including government securities and equity;
- Providing for immobilization and

dematerialization of securities;

- Facilitating buying, selling and otherwise dealing in securities;
- Operating and managing central securities depository clearing and settlement services.

## Results of operations

The profit after tax of GH¢1,802,575 is shown in the statements of comprehensive income. When added to the opening balance on the retained earnings account as of 1 January 2013 of GH¢45,229, it leaves a closing balance of GH¢1,847,804 on the retained earnings account as of 31 December 2013.

## Auditors

The auditors, Ernst & Young, Chartered Accountants, having indicated their willingness, continue in office pursuant to Section 134(5) of the Ghana Companies Act, 1963 (Act 179).

## Holding company

The Central Securities Depository (GH) Limited is 100% owned by Bank of Ghana.

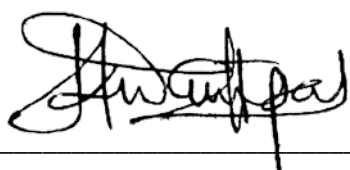
## Dividend

The directors do not recommend the payment of any dividend as of 31 December 2013.

## Merger of CSD and Ghana Stock Exchange Depository (GSD)

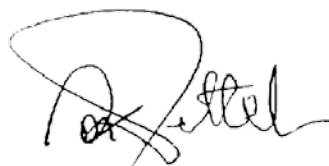
The merger process between the CSD and Ghana Stock Exchange Depository (GSD) was completed successfully in 2013. As a result, a merger agreement was signed between the two depositories on 24 December, 2013 to operate as a single depository starting 1 January 2014. Per the merger agreement, the Central Securities Depository of Ghana Limited (CSD) will be the surviving entity with an existing number of issued shares of 3,500,000. In terms of ownership structure, Bank of Ghana and Ghana Stock Exchange will own 82% and 18% respectively. It is projected that the Ghana Stock Exchange will increase its shareholding from 18% to 30% within one (1) year at a price existing at the time of the merger. The shareholders (Bank of Ghana and Ghana Stock Exchange) will form a new Board of Directors to spearhead the activities of the merged depository in 2014 and all staff of the Ghana Stock Exchange Depository will be absorbed into the newly merged depository.

Signed on behalf of the Board:



Chairman

Date: 31<sup>st</sup> March, 2013



Director

Date: 31<sup>st</sup> March, 2013

# INDEPENDENT AUDITORS' 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 2013 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 30 to 31 and 34 to 53.

## 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 Act, 1963 (Act 179) and for such internal controls 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.

## Auditors' 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 controls 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 controls. 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 2013 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 Act, 1963 (Act 179).

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.

## Report on other legal and regulatory requirements

The Companies Act, 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



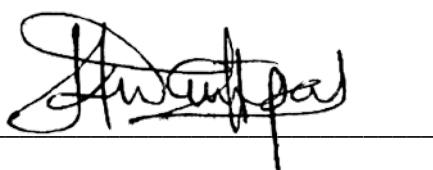
Pamela Des Bordes (ICAG/P/1329)  
For and on behalf of Ernst & Young  
(ICAG/F/2014/126)  
Chartered Accountants  
Accra, Ghana

Date: 31<sup>st</sup> March, 2013

## STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2013

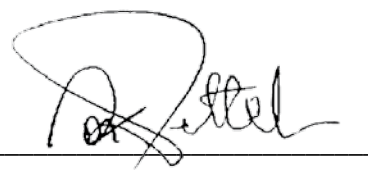
ASSETS	Notes	2013 GH¢	2012 GH¢
<b>Non- current assets</b>			
Property, plant and equipment	3	443,222	479,615
Intangible asset	4	1,794,492	1,906,132
		<u>2,237,714</u>	<u>2,385,747</u>
<b>Current assets</b>			
Accounts receivable and prepayments	5	1,249,972	360,180
Held to maturity investment	6	3,458,875	1,790,654
Cash and bank	7	1,545,527	1,330,714
		<u>6,254,374</u>	<u>3,481,548</u>
<b>TOTAL ASSETS</b>		<u>8,492,088</u>	<u>5,867,295</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	8	3,500,000	3,500,000
Deposit for shares	9	183,836	183,836
Retained earnings		1,847,804	45,229
		<u>5,531,640</u>	<u>3,729,065</u>
<b>Noncurrent Liabilities</b>			
Deferred capital grant	10a	1,664,705	1,839,178
Deferred tax liabilities	11(i)	11,158	29,848
		<u>1,675,863</u>	<u>1,869,026</u>
<b>Current Liabilities</b>			
Deferred capital grant	10a	174,473	174,473
Accounts payable and accruals	12	488,393	23,340
Taxation	11(iii)	621,719	71,391
		<u>1,284,585</u>	<u>269,204</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>8,492,088</u>	<u>5,867,295</u>

Signed on behalf of the Board:



Director

Date: 31<sup>st</sup> March, 2013



Director

Date: 31<sup>st</sup> March, 2013

The attached notes 1 to 19 form an integral part of these financial statements.

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2013

	Notes	2013 GH¢	2012 GH¢
Revenue	13	4,110,095	1,655,741
Other income	14	<u>1,292,766</u>	<u>1,129,085</u>
		5,402,861	2,784,826
Operating Expenses		<u>(2,984,757)</u>	<u>(2,103,346)</u>
Profit for the year	18	2,418,104	681,480
Income tax expense	11(iii)	<u>(615,529)</u>	<u>(101,238)</u>
Total comprehensive income for the year	18	<u>1,802,575</u>	<u>580,242</u>

The attached notes 1 to 19 form an integral part of these financial statements.

## STATEMENT OF CHANGES IN EQUITY AS AT 31 DECEMBER 2013

	Issued and fully paid shares GH¢	Retained Earning GH¢	Total Equity GH¢
<b>2013</b>			
Balance at 1 January	3,500,000	45,229	3,545,229
Total comprehensive income for the year	-	<u>1,802,575</u>	<u>1,802,575</u>
<b>Balance as of 31 December 2013</b>	<b><u>3,500,000</u></b>	<b><u>1,847,804</u></b>	<b><u>5,347,804</u></b>
<b>2012</b>			
Balance at 1 January	3,500,000	(535,013)	2,964,987
Total comprehensive income	-	<u>580,242</u>	<u>580,242</u>
<b>Balance as of 31 December 2012</b>	<b><u>3,500,000</u></b>	<b><u>45,229</u></b>	<b><u>3,545,229</u></b>

The attached notes 1 to 19 form an integral part of these financial statements.

# STATEMENT OF CASHFLOWS

## 31 DECEMBER 2013

	Notes	2013 GH¢	2012 GH¢
<b>OPERATING ACTIVITIES</b>			
Profit for the year before tax		2,418,104	681,481
Adjustment for:			
Depreciation	3	236,150	194,228
Amortisation	4	111,638	111,548
Movement in grant	10	(174,473)	(174,473)
Interest accrued on short term investments		<u>(93,199)</u>	<u>(40,603)</u>
<b>Operating cash flow before working capital changes</b>		<b>2,498,220</b>	<b>772,181</b>
Increase in accounts receivable		<u>(889,792)</u>	<u>(80,548)</u>
Increase in payables and accruals		<u>465,056</u>	<u>(35,397)</u>
Cash from operations		<b>2,073,484</b>	<b>656,236</b>
Tax paid		<u>(83,891)</u>	<u>-</u>
<b>Net cash outflow from operating activities</b>		<b><u>1,989,593</u></b>	<b><u>656,236</u></b>
<b>INVESTING ACTIVITIES</b>			
Purchase of PPE	3	<u>(199,757)</u>	<u>(30,450)</u>
Purchase of intangible asset	4	-	<u>(21,862)</u>
Short term investments		<u>(1,575,023)</u>	<u>(193,237)</u>
<b>Net cash inflow/(outflow) in investing activities</b>		<b><u>(1,774,780)</u></b>	<b><u>(245,549)</u></b>
<b>FINANCING ACTIVITY</b>			
Deposit for shares		-	183,836
Proceeds from issue of share		<u>-</u>	<u>500,000</u>
<b>Net cash flow from financing activities</b>		<b><u>-</u></b>	<b><u>683,836</u></b>
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>214,813</b>	<b>1,094,523</b>
Cash and Cash equivalents as of 1 January		<u>1,330,714</u>	<u>236,191</u>
<b>CASH AND CASH EQUIVALENTS AS OF 31 DECEMBER</b>	<b>7</b>	<b><u>1,545,527</u></b>	<b><u>1,330,714</u></b>

The attached notes 1 to 19 form an integral part of these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

## 31 DECEMBER 2013

### 1. CORPORATE INFORMATION

#### 1.1 ACTIVITIES

The Central Securities Depository (CSD) is a wholly owned subsidiary of Bank of Ghana registered and incorporated in Ghana as a private limited liability company under the Companies Act, 1963 (Act 179) to provide services including the following:

- Providing a central depository for keeping record of beneficiary owners of financial instruments including government securities and in electronic form;
- Undertaking clearing and settlement by book entry of financial instruments including government securities and equity;
- Providing for immobilisation and dematerialisation of securities;
- Facilitating buying, selling and other wise dealing in securities;
- Operation and management of a central securities depository clearing and settlement services.

#### 1.2 Compliance with IFRS

The financial statements of the company have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standard Board (IASB).

#### 1.3 Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

##### *IFRS 9 Financial Instruments*

IFRS 9, as issued, reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard was initially effective for annual periods beginning on or after 1 January 2013, but *Amendments to IFRS 9 Mandatory Effective Date of IFRS 9 and Transition Disclosures*, issued in December 2011, moved the mandatory effective date to 1 January 2015. In subsequent phases, the IASB is addressing hedge accounting and impairment of financial assets. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Company's financial assets, but will not have an impact on classification and measurements of the Company's financial liabilities. The Company will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

### ***Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)***

These amendments are effective for annual periods beginning on or after 1 January 2014 provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. This amendment would not be relevant to the Company.

### ***IAS 32 Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32***

These amendments clarify the meaning of "currently has a legally enforceable right to set-off" and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting. These are effective for annual periods beginning on or after 1 January 2014. These amendments are not expected to be relevant to the Company.

## **1.3 Standards issued but not yet effective continued**

### ***IFRIC Interpretation 21 Levies (IFRIC 21)***

IFRIC 21 clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. IFRIC 21 is effective for annual periods

beginning on or after 1 January 2014. The Company does not expect that IFRIC 21 will have any material financial impact in future financial statements.

### ***IAS 39 Novation of Derivatives and Continuation of Hedge Accounting – Amendments to IAS 39***

These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments are effective for annual periods beginning on or after 1 January 2014. The Company has no derivatives and so do not expect this standard to impact the financial statements.

## **2.1 Basis of preparation**

The financial statements are prepared under the historical cost convention.

## **2.2 Functional and reporting currency**

The financial statements are presented in Ghana cedis, which is the functional and reporting currency of the company.

## **2.3 Significant accounting judgements, estimates and assumption**

The preparation of the financial statement is in conformity with generally accepted accounting standards which require management to make estimates and assumptions that influence the valuation



of asset and liabilities and the disclosure of contingent asset and liabilities at the date of the financial statement and the reported amounts of revenue and expenses during the reported period.

However, uncertainty about these assumptions and the estimates could result in outcomes that require a material adjustment to the carrying amount of the assets or liabilities in the future.

## 2.4 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, and sales taxes or duty. The company assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The company has concluded that it is acting as a principal in all of its revenue arrangements.

### Rendering of services

Income is recognized when services are rendered.

## 2.5 Financial assets

### Initial recognition

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in

an effective hedge, as appropriate. The company determines the classification of its financial assets at initial recognition.

Financial assets are recognized initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace (regular way purchases) are recognized on the trade date, i.e., the date that the company commits to purchase or sale of the asset.

The company's financial assets include cash, short term-term deposits, trade and other receivables and loan and other receivables

### Impairment of financial assets

The company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated..

### Initial recognition

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that

they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as change in arrears or economic conditions that correlate with defaults.

### Derecognition of financial assets

A financial asset (or where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- ▶ the rights to receive cash flows from the asset have expired; or
- ▶ the company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a “pass-through” arrangement; and either (a) the company has transferred substantially all risks and rewards of the asset, or (b) the company has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

When the company has transferred its rights to receive cash flows from an asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under the “pass-through” arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, a new asset is recognized to the extent of the Company’s continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the company could be required to repay.

When a continuing involvement take the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Company’s continuing involvement is the amount of the transferred asset that the Company may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the Company’s continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The company determines the classification of its financial assets at initial recognition.

The company’s financial assets include cash and short-term deposits

### Receivables

Accounts receivable and other receivables are recorded in the statement of financial position at face value after deduction of provision for expected losses. Provisions for losses are made on the basis of an individual assessment of each receivable item.

## Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash at banks and in hand, short-term fixed deposits with an original maturity of three months or less, bank overdrafts which are repayable on demand and which form an integral part of the company's cash management. Cash and cash equivalents are measured subsequently at amortised cost.

## Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to maturity when the company has the positive intention and ability to hold it to maturity. After initial measurement, held-to-maturity investments are measured at amortised cost using the effective interest method, less impairment. The losses arising from impairment are recognised in the income statement in finance costs.

## 2.6 Financial liabilities

### Initial recognition

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit and loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial liabilities at initial recognition.

Financial liabilities are recognised initially at fair value and in the case of loans and borrowings, directly attributable to transaction costs.

## Subsequent measurement

The measurement of financial liabilities depends on their classifications as follows:

### Financial liabilities at fair value through profit and loss

Financial liabilities at fair value through profit and loss includes financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit and loss.

Financial liabilities are classified as held for trading if they are acquired for the purposes of selling in the near term.

Gains and losses on liabilities held for trading are recognized in the income statement.

Central Securities Depository (Gh) Limited has not designated any financial liabilities at fair value through profit or loss.

### Accounts payable and accruals

Liabilities are recognized for amounts to be paid in the future for goods or services received whether billed by the supplier or not.

### Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition

of a new liability, and the difference in the respective carrying amounts is recognized in the income statement.

## 2.7 Foreign currency translation

Transactions in foreign currencies are recorded at the rate ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

## 2.8 Property, plants and equipment

The company recognises an item of property, plant and equipment as an asset when it is probable that future economic benefits will flow to it and the cost can be reliably measured by the company.

Property, plant and equipment are measured at fair value less accumulated depreciation and impairment losses recognised after the date of the revaluation. Valuations are performed frequently to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

Any revaluation surplus is credited to the asset revaluation reserve in equity, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the income statement, in which case the increase is recognised in the income statement. A revaluation deficit is recognised in the income statement, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve.

When significant parts of property, plant and equipment are required to be replaced in intervals, the company recognises such parts as individual assets with specific useful lives and depreciation respectively. The present value of the expected cost for the decommissioning of the asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

The current annual depreciation rates for each class of property, plant and equipment are as follows:

Equipment	25%
Furniture & Fittings	20%
Motor Vehicle	20%

Costs associated with day-to-day servicing and maintenance of assets is expensed as incurred. Subsequent expenditure is capitalized if it is probable that future economic benefits associated with the item will flow to the company.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the statement of comprehensive income in the period the item is derecognized.

Residual values, useful lives and methods of depreciation for property and equipment are reviewed, and adjusted if appropriate, at each financial year end.

### **Intangible assets**

Intangible assets with indefinite useful lives are tested for impairment annually as at 31 December either individually or at the cash-generating unit level, as appropriate and when circumstances indicate that the carrying value may be impaired. Intangible assets whose useful lives can be reasonably estimated are amortised over the estimated useful lives of these assets. The current annual amortisation rates for the intangible asset (software) is 5% per annum.

### **Impairment of non financial assets**

The carrying values of property, plant and equipment are reviewed for indications of impairment annually, or when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units to which the asset belongs are written down to their recoverable amount. The recoverable amount of property, plant and equipment is the greater of net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For assets, excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. The company estimates the asset's or cash generating unit's recoverable amount. A previously recognised impairment loss is

reversed only if there has been a change in the assumptions used to determine the assets recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase.

## **2.9 Pensions and other post-retirement benefit**

### **Social security contributions**

This is a National Pension Scheme under which the company pays 13.5% of qualifying employees' basic monthly salaries to a state managed Social Security Fund for the benefit of the employees. All employer contributions are charged to the statement of comprehensive income as incurred and included under staff costs.

Employees contribute 5.5% of their basic salary to the National Pension Scheme. This is a defined contribution scheme.

## **2.10 Taxation**

### **a) Income tax**

Income tax is recognized in the statement of comprehensive income except to the extent that it relates to items recognized directly in shareholders' equity or other comprehensive income, in which case it is

recognized in shareholders' equity or other comprehensive income.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date. Current tax assets and liabilities are offset when the Company intends to settle on net basis and the legal right to set-off exists.

## b) Deferred income tax

Deferred income tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- ▶ when the deferred income tax liability arises from initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss, and
- ▶ in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences,

carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized except:

- ▶ when the deferred income tax assets relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss, and
- ▶ in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax assets to be utilized. Unrecognised deferred income tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized



or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred income tax relating to items recognized directly in equity is recognized in equity and not in the statement of comprehensive income.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

### c) Value Added Tax (VAT)

Revenues, expenses and assets are recognised net of the amount of VAT except: where the value added tax incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the value added tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable;

The net amount of value added tax recoverable from, or payable to, the Internal

revenue service is included as part of receivables or payables in the statement of financial position.

## 2.11 Bank of Ghana grants

Bank of Ghana grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, it is recognised as deferred income and released to income in equal amounts over the expected useful life of the related asset.

Where the company receives non-monetary grants, the asset and the grant are recorded gross at nominal amounts and released to the income statement over the expected useful life and pattern of consumption of the benefit of the underlying asset by equal annual instalments.



### 3. PROPERTY, PLANT AND EQUIPMENT

2013

	Equipment	Furniture and Fittings	Motor Vehicle	Total
	GHC	GHC	GHC	GHC
<b>Cost</b>				
Balance as at 1 January 2013	422,730	248,679	154,886	826,295
Additions	<u>196,057</u>	<u>3,700</u>	<u>-</u>	<u>199,757</u>
<b>Balance as at 31 December 2013</b>	<b><u>618,787</u></b>	<b><u>252,379</u></b>	<b><u>154,886</u></b>	<b><u>1,026,052</u></b>
<b>Accumulated Depreciation</b>				
Balance as at 1 January 2013	188,871	97,129	60,680	346,680
Charge for the year	<u>154,697</u>	<u>50,476</u>	<u>30,977</u>	<u>236,150</u>
<b>Balance as at 31 December 2013</b>	<b><u>343,568</u></b>	<b><u>147,605</u></b>	<b><u>91,657</u></b>	<b><u>582,830</u></b>
<b>Net book value</b>				
<b>Balance as at 31 December 2013</b>	<b><u>275,219</u></b>	<b><u>104,774</u></b>	<b><u>63,229</u></b>	<b><u>443,222</u></b>

### PROPERTY, PLANT AND EQUIPMENT (cont'd)

2012

	Equipment	Furniture and Fittings	Motor Vehicle	Total
	GHC	GHC	GHC	GHC
<b>Cost</b>				
Balance as at 1 January 2012	394,280	246,679	154,886	795,845
Additions	<u>28,450</u>	<u>2,000</u>	<u>-</u>	<u>30,450</u>
<b>Balance as at 31 December 2012</b>	<b><u>422,730</u></b>	<b><u>248,679</u></b>	<b><u>154,886</u></b>	<b><u>826,295</u></b>
<b>Accumulated Depreciation</b>				
Balance as at 1 January 2012	87,415	35,334	29,703	152,452
Charge for the year	<u>101,456</u>	<u>61,795</u>	<u>30,977</u>	<u>194,228</u>
<b>Balance as at 31 December 2012</b>	<b><u>188,871</u></b>	<b><u>97,129</u></b>	<b><u>60,680</u></b>	<b><u>346,680</u></b>
<b>Net book value</b>				
<b>Balance as at 31 December 2012</b>	<b><u>233,859</u></b>	<b><u>151,550</u></b>	<b><u>94,206</u></b>	<b><u>479,615</u></b>

## 4 Intangible assets (Software)

	2013 GHC	2012 GHC
<b>Cost</b>		
Balance as at 1 January 2013	2,141,275	2,119,413
Addition	<u>-</u>	<u>21,862</u>
	<u>2,141,275</u>	<u>2,141,275</u>
<b>Accumulated amortisation</b>		
Balance as at 1 January 2013	235,145	123,595
Amortisation for the year	<u>111,638</u>	<u>111,548</u>
	<u>346,783</u>	<u>235,143</u>
<b>Balance at 31 December 2013</b>	<u><u>1,794,492</u></u>	<u><u>1,906,132</u></u>

## 5. Accounts receivable

	2013 GHC	2012 GHC
Trade receivable	1,161,411	234,630
Prepayments	<u>88,561</u>	<u>125,550</u>
	<u><u>1,249,972</u></u>	<u><u>360,180</u></u>

## 6. Held to maturity investments

	2013 GHC	2012 GHC
Short term investments	3,325,073	1,750,050
Interest Receivable	<u>133,802</u>	<u>40,604</u>
	<u><u>3,458,875</u></u>	<u><u>1,790,654</u></u>

## 7. Cash and Bank Balances

	2013	2012	Change
	GHC	GHC	
Cash at bank	1,544,451	1,330,593	213,858
Cash in hand	1,076	121	955
	<u>1,545,527</u>	<u>1,330,714</u>	<u>214,813</u>

## 8. Stated Capital

### a. Authorized shares

The Company is registered with 3,500,000 ordinary shares of no par value.

### b. Issued shares

	2013		2012	
	No. of Shares	Amount (GH¢)	No. of Shares	Amount (GH¢)
Issued for cash	3,500,000	3,500,000	3,500,000	3,500,000
	<u>3,500,000</u>	<u>3,500,000</u>	<u>3,500,000</u>	<u>3,500,000</u>

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

## 9. Deposit for shares

Deposit for shares relates to investment by the Bank of Ghana in the company in respect of which shares would be issued by the company.

## 10. Bank of Ghana grants

### a. Deferred Capital Grant

	2013	2012
	GH¢	GH¢
At 1 January	2,013,651	2,188,124
Grants released into income statement	(174,473)	(174,473)
<b>At 31 December</b>	<u>1,839,178</u>	<u>2,013,651</u>
Current	174,473	174,473
Noncurrent	<u>1,664,705</u>	<u>1,839,178</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 amounts advanced by the Bank of Ghana to the company to support specific activities. There are no unfulfilled conditions or contingencies attached to these grants.

## 11. i. Deferred tax liabilities

	2013 GH¢	2012 GH¢
At 1 January	29,848	-
Charge to income statement	(18,690)	29,848
	<u>11,158</u>	<u>29,848</u>

## ii) Corporate tax

	Balance at 1 January GH¢	Payments GH¢	Charge for the year GH¢	Balance at 31 December GH¢
<b>Income tax</b>				
2012	71,391	(71,391)	-	-
2013	-	(12,500)	634,219	621,719
	<u>71,391</u>	<u>(83,891)</u>	<u>634,219</u>	<u>621,719</u>

## iii) Income tax expense

	2013 GH¢	2012 GH¢
Movement in deferred tax (note 11(i))	(18,690)	29,848
Corporate tax charge for the year (note 11(ii))	<u>634,219</u>	<u>71,390</u>
	<u>615,529</u>	<u>101,238</u>

#### iv) Tax rate reconciliation

The tax charge in the Income Statement differs from the hypothetical amount that would arise using the statutory income tax rate. This is explained as follows:

	2013 GH¢	2012 GH¢
Profit before tax	<u>2,418,103</u>	681,480
Tax at applicable rate of 25% (2012:25%)	604,526	170,370
Tax effect on non-deductible expenses	97,967	76,444
Tax effect on capital allowance	(68,274)	(175,424)
Movement in deferred tax	(18,690)	29,848
Tax expense	<u>615,529</u>	<u>101,238</u>

## 12. Accounts payable and accruals

	2013 GH¢	2012 GH¢
Creditors	36,923	23,340
SEC levy	340,170	-
Unutilized merger grant	104,664	-
Sundry payables	<u>6,636</u>	<u>-</u>
	<u>488,393</u>	<u>23,340</u>

## 13. Revenue

	2013 GHC	2012 GHC
Registration Fees	10,000	-
Transaction Fees	4,034,095	1,586,741
Renewal fees	<u>66,000</u>	<u>69,000</u>
	<u>4,110,095</u>	<u>1,655,741</u>

## 14. Other income

	2013 GHC	2012 GHC
Capital grant (Note 10a)	174,473	174,473
Revenue grant (Note 10b)	431,012	542,874
Interests earned on investments	576,476	268,473
Miscellaneous income	88,305	121,065
Training on CSD software	22,500	22,200
	<u>1,292,766</u>	<u>1,129,085</u>

## 15. Contingencies

### Contingent liabilities

There were no contingent liabilities as of 31 December 2013 (31 December 2012; nil).

### Contingent assets

There were no contingent assets as of 31 December 2013 (31 December 2012; nil).

## 16. Related party disclosures

The company is a 100% subsidiary of the Bank of Ghana. Transaction with the parent company includes the transfer of assets to the subsidiary and the provision of office accommodation, utility, legal services and Internal Audit services for the subsidiary at no cost and without any settlement obligations. Compensation to directors for the period under review amounted to GH¢158,290. The company received a grant of GH¢200,000 for the implementation of the merger with the Stock Exchange Depository. The utilised balance of GHS 104,665 is payable to Bank of Ghana.

## 17. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

### Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise four types of risk: interest rate risk, currency risk, commodity price risk and other price risk, such as equity price risk. Financial instruments affected by market risk include loans and borrowings, deposits, available-for-sale investments and derivative financial instruments. Management has assessed this risk and concluded that the company has no exposure to this risk.

### Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The company assessed that it has no significant exposure to the risk of changes in market interest rates.

### Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The company currently does not have significant exposure to this risk as it has no significant foreign currency denominated assets and liabilities.

### Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions. Customer credit risk is managed by the Finance Unit subject to the Company's established policy, procedures and control relating to customer credit risk management.

### Liquidity risk

The Company monitors its risk of a shortage of funds by monitoring the maturity dates of existing trade accounts payables.

### Capital management

The primary objective of the Company's capital management is to ensure that it maintains a healthy capital ratio that support its business and maximise shareholder value. Management considers capital to consist only of equity as disclosed in the statement of financial position. In order to ensure an appropriate return for shareholder's capital invested in the company, management

thoroughly evaluates all material projects and potential acquisitions before approval.

## 18. PROFIT FOR THE YEAR

This is stated after charging:

	2013 GH¢	2012 GH¢
Directors' emoluments	158,290	139,130
Depreciation and amortisation	347,789	305,776
Audit fees	21,000	17,500
Donations	9,152	-

## 19. SUBSEQUENT EVENTS

A merger agreement was signed between the company and the Ghana Stock Exchange Depository on 24 December, 2013 to operate as a single depository starting 1 January 2014. The Central Securities Depository of Ghana Limited (CSD) will be the surviving entity with an existing number of issued shares of 3,500,000. Bank of Ghana and Ghana Stock Exchange will own 82% and 18% respectively.



## NOTES

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Central Securities Depository (GH) Ltd.  
4th Floor Cedi House  
PMB CT 465 Cantonments, Accra, Ghana

Tel:+233-302 689313 / 0302 689314  
Fax:+233-302 689315  
Email:info@csd.com.gh  
Website:www.csd.com.gh

