

IN THE THIRD SESSION OF THE SEVENTH PARLIAMENT OF THE FOURTH  
REPUBLIC OF GHANA



**REPORT**  
*OF THE*  
**FINANCE COMMITTEE**  
*ON THE*

**AGREEMENT BY THE GOVERNMENT OF THE  
REPUBLIC OF GHANA IN FAVOUR OF GHANA  
AMALGAMATED TRUST PLC (GAT) TO  
SUPPORT SELECTED INDIGENOUS  
GHANAIAN BANKS MADE UP OF THE  
FOLLOWING COMPONENTS:**

- (a) AN INITIAL CAPITALISATION OF EIGHT HUNDRED MILLION GHANA CEDIS (GH¢800.00 MILLION) BY THE GOVERNMENT OF GHANA (BY WAY OF REDEEMABLE PREFERENCE SHARES) FOR GAT'S INVESTMENT IN THE FIRST FOUR GAT INVESTEE BANKS; AND
- (b) A PUT CALL OPTION AGREEMENT (PCOA) TO ENABLE GAT RAISE AN AMOUNT OF UP TO THREE BILLION GHANA CEDIS (GH¢3.00 BILLION) FROM THE CAPITAL MARKET FOR THE PURPOSES OF REDEEMING THE GH¢800.00 MILLION PREFERENCE SHARES HELD BY GOVERNMENT AND FUNDING THE GH¢2.20 BILLION REQUIRED FOR GAT'S INVESTMENT IN NIB

DECEMBER 2019

## 1.0 INTRODUCTION

The **Agreement by the Government of the Republic of Ghana in favour of Ghana Amalgamated Trust PLC (GAT) to support Selected Indigenous Ghanaian Banks** made up of the following components:

- (a) An initial capitalisation of Eight Hundred Million Ghana Cedis (GH¢800.00 Million) by the Government of Ghana (by way of Redeemable Preference Shares) for GAT's investment in the first four GAT investee banks; and
- (b) A Put Call Option Agreement (PCOA) to enable GAT raise an amount of up to Three Billion Ghana Cedis (GH¢3.00 Billion) from the capital market for the purposes of redeeming the GH¢800.00 Million Preference Shares held by Government and funding the GH¢2.20 Billion required for GAT's investment in NIB

was *presented* to the House on Monday 2<sup>nd</sup> December, 2019 by the Hon. Deputy Minister for Finance, Mr. Kwaku Agyeman Kwarteng on behalf of the Minister responsible for Finance.

Pursuant to Article 103 of the 1992 Constitution and Orders 169 and 171 of the Standing Orders of the House, the Agreement was *referred* to the Committee on Finance for Consideration and Report.

The Committee subsequently met and discussed the request with a Deputy Minister for Finance, Hon. Charles Adu Boahen, a Deputy Governor of the Bank of Ghana, Dr. Maxwell Opoku-Afari as well as officials from the Ministry of Finance, the Bank of Ghana and the Ghana Amalgamated Trust PLC and hereby submits this report to the House pursuant to Order 161(1) of the Standing Orders of the House.

The Committee is grateful to the Honourable Deputy Minister for Finance, the Deputy Governor of the Central Bank and the officials from the Ministry

of Finance, the Bank of Ghana and the Ghana Amalgamated Trust Limited for attending upon the Committee.

## **2.0 REFERENCES**

The Committee referred to and was guided by the following documents *inter alia* during its deliberations on the request:

- The 1992 Constitution of the Republic of Ghana
- The Standing Orders of the Parliament of Ghana
- The Public Financial Management Act, 2016 (Act 921)
- Banks and Specialized Deposit Taking Institutions Act, 2016 (Act 930)

## **3.0 BACKGROUND**

Following the clean-up exercise for the banking industry by the Bank of Ghana at end December 2018, twenty-three (23) banks met the new minimum paid-up capital requirement of Four Hundred Million Ghana Cedis (GH¢400.00 million). Seventeen (17) of these banks met the required capital through capitalisation of income surplus, fresh capital injection or a combination of both.

The increase in the minimum capital requirement was well intentioned as it was meant to restore confidence in the banking sector, rebound growth in industry assets as banks deploy new capital towards financial intermediation and to boost lending.

A significant number of the local banks were however unable to meet the required minimum capital and therefore petitioned H.E. the President for support.

H.E. the President subsequently established a Presidential Committee comprising representatives of the Ministry of Finance, Bank of Ghana, Office of the President and the concerned indigenous banks to evaluate and propose recommendations to strengthen the indigenous banks.

A key outcome of this discussion was the establishment of the Ghana Amalgamated Trust PLC (GAT) as a *Special Purpose Vehicle (SPV)* to provide financing support and governance oversight to these indigenous banks to enable them become viable and competitive.

This is to safeguard strategic Ghanaian interest in the banking sector and to support the banking industry.

The identified banks for the GAT support are:

- The Agricultural Development Bank Limited (ADB)
- Prudential Bank Limited (PBL)
- Universal Merchant Bank Limited (UMB)
- OmniBSIC Bank Ghana Limited (OmniBSIC)
- National Investment Bank Limited (NIB)

It would be recalled that in March 2019, Parliament approved the issuance of a Sovereign Guarantee in favour of GAT to enable GAT raise an amount of up to GH¢2.00 Billion and inject the funds as equity into the five selected indigenous banks that were unable to meet the central bank's mandatory capital requirement of GH¢400.00 Million by the 31<sup>st</sup> December 2018 deadline.

GAT initially intended to achieve its objectives by raising debt capital from the local capital market in the form of bonds. These bonds were to be raised in two tranches. The initial tranche to support the first four banks (excluding NIB) and a second tranche to support NIB. GAT had requested

a Sovereign Guarantee covering up to 70% of principal and interest for tranche 1 and a 100% cover of principal and interest for tranche 2.

The bond issuance process was however affected by a legal suit challenging the choice of investment instrument.

#### **4.0 OBJECTIVE OF THE AGREEMENT**

The objective of the Agreement is to protect strategic Ghanaian interests in banks that are solvent but undercapitalised in the banking industry through the *Special Purpose Vehicle* known as the Ghana Amalgamated Trust PLC (GAT).

#### **5.0 GAT'S REVISED FUNDING STRUCTURE**

The Ghana Amalgamated Trust (GAT) Limited is an independent *Special Purpose Vehicle (SPV)* with the objective of providing financing support and governance oversight of the indigenous banks to enable them become viable and competitive.

Following the lawsuit aforesaid and in order to avoid further delays and disruption to the GAT intervention and to enable a successful capitalisation of the selected banks, GAT adopted the following *Revised Funding Structure* based on the advice of the Legal Advisors, Bank of Ghana, Securities and Exchange Commission and the National Pensions Regulatory Authority:

- Raise equity capital of GH¢800 Million from the Government through the subscription of redeemable preference shares in GAT by the Government
- Use proceeds of the Government's GH¢800.00 Million preference share investment in GAT to undertake equity investments in the selected banks (excluding NIB)

The proposed financial intervention will also provide the platform to enable the selected banks undergo the needed transformation to achieve the objectives that the Bank of Ghana envisaged in setting the new minimum capital requirement.

### **6.3 Governance and Operational Support**

The Committee noted that the beneficiary banks of the GAT financing will be required to sign on to strict governance and operations criteria to ensure funds are protected and well deployed to yield the best returns. GAT will also support the selected banks with appropriate management to undergo business transformation programs to improve governance, leadership capabilities and operations, including credit and risk management.

### **6.4 Update on GAT's Operations**

The Committee further noted that a functioning board for GAT has been in place since January 2019. Also, a team of transaction advisors are working closely with the GAT Board to ensure the achievement of GAT's objectives.

Presently, GAT has completed legal, financial and tax due diligence across the selected banks to support the structuring and documentation of GAT's investment in the selected banks. Additionally, GAT engaged banking experts to conduct business reviews of the banks. These reviews have assisted GAT to assess the current challenges and opportunities relating to each bank and outline recommendations for closing identified gaps to improve the banks.

## 6.5 Sinking Fund Arrangement

The Committee noted that the capitalisation of GAT by Government will have an impact on Government financing. To safeguard the funds therefore, GAT will *among other things* set up a sinking fund into which will accrue any dividends it may receive from its equity investments in the selected banks. The moneys accrued in the sinking fund will eventually go towards repayment of GAT's investors. GAT will also be represented on the boards and committees of the selected banks whilst working with those banks to improve governance, management, strategy and operations to improve on the performance of those banks.

## 6.6 Exit Strategy

As to how long GAT will be involved with the selected banks, the Committee was informed that GAT plans to exit its equity stakes in the selected banks within five years of investing. The exit will generate proceeds to repay investors including Government. Potential exit strategies outlined by GAT include:

- Sale to original shareholders of the selected banks
- Private sale; and
- Public offerings.

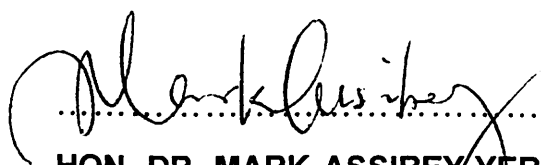
## 7.0 CONCLUSION

The Committee, having carefully scrutinised the Request, respectfully recommends to the House to adopt this report and approve by resolution, the **Agreement by the Government of the Republic of Ghana in favour of Ghana Amalgamated Trust PLC (GAT) to support Selected Indigenous Ghanaian Banks** made up of the following components:

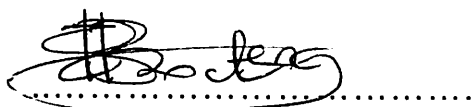
- (a) An initial capitalisation of Eight Hundred Million Ghana Cedis (GH¢800.00 Million) by the Government of Ghana (by way of Redeemable Preference Shares) for GAT's investment in the first four GAT investee banks; and
- (b) A Put Call Option Agreement (PCOA) to enable GAT raise an amount of up to Three Billion Ghana Cedis (GH¢3.00 Billion) from the capital market for the purposes of redeeming the GH¢800.00 Million Preference Shares held by Government and funding the GH¢2.20 Billion required for GAT's investment in NIB

in accordance with the 1992 Constitution of the Republic of Ghana and the Public Financial Management Act, 2016 (Act 921).

Respectfully submitted.



**HON. DR. MARK ASSIBEY-YEBOAH**  
**(CHAIRMAN, FINANCE COMMITTEE)**



**MS. EVELYN BREFO-BOATENG**  
**(CLERK, FINANCE COMMITTEE)**

**PARLIAMENT OF GHANA LIBRARY**

5<sup>TH</sup> DECEMBER, 2019