

# **LAW AND FINANCIAL SERVICES REGULATION**

**APRIL 2025**

## 1. Introduction: General Observations

The general performance was excellent. Performance in respect of the objective questions was also good, which contributed to the high rate of performance of 74 out of 78 candidates who sat for the paper representing a pass rate of 95 %.

## 2. Comments on Candidates' Performance

### 3. I. Summary Statistics of the Performance per the format in the table below.

TOTAL NO.	Q. NO.	NO. ATTEMPTED EACH QUESTION	% ATTEMPTED EACH QUESTION	PASS	FAIL	% PASS	% FAIL	TOTAL
78								
	QA1	78	100%	65	13	83%	17%	100%
	QB1	73	94%	62	11	85%	15%	100%
	QB2	44	56%	39	5	89%	11%	100%
	QB3	7	9%	7	0	100%	0%	100%
	QB4	32	41%	24	8	75%	25%	100%
	QC1	35	45%	14	21	40%	60%	100%
	QC2	40	51%	10	30	25%	75%	100%

## 2.2 Overall pass rate:

MARKS	REMARKS	NO. SCORING	% SCORING
81% OR MORE	Distinction	14.00	17.95%
50%-80%	Pass	60.00	76.92%
46%-49.99%	Fail A	3.00	3.85%
36%-45%	Fail B	1.00	1.28%
35% or less	Fail C	-	0.00%
Attendance		78.00	100.00%
Non-attendance	Absent	-	

## 4. General Problems Identified

The question paper featured very straightforward questions which explains the excellent performance returned. There were nonetheless issues handling the case study questions. A number of candidates deviated completely from the requirements of the questions. Nonetheless, they were able to pass because they performed excellently in the objective questions and the essay.

## 5. Specific Comments on each question

### Question A1 (Pass rate - 83%)

Multiple choice questions cutting across the syllabus. Candidates performed excellently which contributed to the overall high pass rate

#### **Question B1 (Pass rate – 85%)**

This question related to the functions of Bank of Ghana, a straightforward question.

Candidates were expected to discuss five functions of Bank of Ghana. Functions relevant include issuing of bank licenses, regulation of banks, specialized deposit-taking institutions, financial holding companies and non-bank financial institutions, consumer protection, issuing and redeeming the nation's currency etc.

Candidates acquitted themselves excellently with many scoring, 20/20

#### **Question B2 (Pass rate - 89%)**

this question concerned the instances that would compel Bank of Ghana to revoke the licenses of licensed financial institutions under Bog regulation.

Candidates were expected to identify the triggers for revocation of bank licenses. These include not meeting minimum capital requirements, no operating within a year of obtaining the license, money laundering etc.

Candidates performed excellently here with many scoring full marks.

#### **Question B3 (Pass rate – 100%)**

Question 3 related to deposit insurance.

Candidates were expected to discuss five provisions of the Deposit Protection regime in Ghana. These include the organization tasked with implementing the scheme, the type of deposit covered, the amounts payable on revocation of a bank license etc.

Candidates showed adequate knowledge regarding this area which was reflected in the 100% pass rate returned.

#### **Question B4 (Pass Rate – 75%)**

This question's focus was on the corporate governance directive.

Candidates were expected to discuss five provisions of the Corporate Governance directive, include the role of the board, the size and composition of the board, risk management, internal controls, board certification etc., term of office of Board chairperson, directors and key management personnel.

The performance here was also excellent.

#### **Question C1 – Pass Rate – 40%)**

This was a case study in the areas of conflicts of interest and anti-money laundering.

Candidates were expected to define conflicts of interest and indicate three exposures directors were required to make in this direction. The second part of the question related to a discussion of three components of an effective money laundering regime. Such components include, Board and Senior Management oversight include ensuring that there is an effective and robust anti-money laundering regime, employee training, KYC etc.

The pass rate was below average. The first part of the question was handled very well. However with the second part, several candidates showed much paucity of knowledge in the area.

### **Question C2 (Pass rate – 25%)**

The second case study question featured questions on the two modes of supervision, regulatory infractions and a report on those refractions.

Candidates were expected to explain the two modes of bank supervision. Many rather talked about the regulatory mechanisms and lost good marks. On the regulatory infractions many were able to cite the nature of infractions and were able to indicate what should be contained in a report to management on how to deal with the said infractions.

### **Conclusion**

On the whole sections A & B were handled very creditably. Candidates were found wanting in the area of case studies under section C.

## **OUTLINE ANSWERS**

### **SECTION A MULTIPLE CHOICE QUESTION**

#### **Answer all Questions**

#### **Each Question carries 1 Mark for a total of 30 Marks**

1. Which of the following is the primary purpose of financial services regulation in Ghana?
  - a) To maximize bank profitability
  - b) To ensure financial stability and protect consumers**
  - c) To control foreign exchange rates
  - d) To eliminate financial competition

2. Which of the following institutions is not regulated under the Banks and Specialized Deposit-taking Institutions Act
  - a) Finance companies
  - b) Savings and loans companies
  - c) **Financial Leasing Companies**
  - d) Rural and Community Banks
3. Which of the following is NOT a Regulator of Financial Institutions in Ghana
  - a) Securities and Exchange Commission
  - b) Bank of Ghana
  - c) National Insurance Commission
  - d) **Economic and Organized Crime Office**
4. Which regulatory body in Ghana is responsible for overseeing capital market operations?
  - a) **Securities and Exchange Commission (SEC)**
  - b) Bank of Ghana
  - c) Ghana Stock Exchange
  - d) Financial Intelligence Centre
5. Which of the following departments is in charge of conducting an annual examination of banks in Ghana
  - a) Bank Examination Department of Bank of Ghana
  - b) Financial Stability Department of Bank of Ghana
  - c) **Bank Supervision Department of Bank of Ghana**
  - d) Bark Evaluation Department of Bank of Ghana.
6. What is the key means of identification of customers of banks in Ghana
  - a) **Ghana card**
  - b) Ghana Ecowas passport
  - c) Birth certificate
  - d) Drivers license
7. What is the duration of the first term of office of a Managing Director under the Corporate Governance Directive
  - a) **4 years**
  - b) 3 years
  - c) 6 years
  - d) 12 years
8. What is the duration of the first term of office of a Director Under the Corporate Governance Directive?
  - a) 4 years
  - b) **3 years**
  - c) 5 years
  - d) 9 years
9. What must a director do before assuming office regarding potential conflicts of interest?
  - a) Ignore potential conflicts
  - b) **Declare any conflicts to the Board and Bank of Ghana**
  - c) Resign from all other positions
  - d) Not participate in any board meetings
10. What is the main focus of the Fit and Proper Person Directive?

- a) Operations of artificial entities
- b) Efficiency of financial holding companies and integrity of owners
- c) **Conduct regulation, ethics, and professionalism**
- d) Revenue generation of key management personnel

11. To whom does the Fit and Proper Person Directive apply?

- a) Only significant shareholders
- b) **Directors, key management personnel, and significant shareholders**
- c) Key Management Personnel and employees of financial institutions
- d) Government regulators

12. Which unit at Bank of Ghana has oversight in dealing with bank customer complaints?

- a. Financial Intelligence Center
- b. Bank of Ghana Complaints Unit
- c. Internal Audit Department
- d. **Financial Stability Department**

13. What is the first step a customer should take when they have a complaint against a bank

- a) Report directly to Bank of Ghana
- b) File a law suit against the bank
- c) **Lodge the compliant with the bank**
- d) Contact EOCO

14. What is the maximum period within which a bank must respond to a customer's complaint under Bank of Ghana's Consumer Recourse Mechanism Guidelines?

- a. **20 days**
- b. 10 days
- c. 15 days
- d. 3 days

15. What is the limit on total aggregate advances to all bank staff as a percentage of net own funds?

- a) 25%
- b) 15%
- c) **20%**
- d) 35%

16. A bank's obligation to prevent money laundering is primarily governed by:

- a) **Anti-Money Laundering Act, 2020 (Act 1044)**
- b) Bank of Ghana Act, 2002 (Act 612)
- c) Companies Act, 2019 (Act 992)
- d) Securities Industry Act, 2016 (Act 929)

17. Which organization was established to combat money laundering globally?

- a) World Bank
- b) International Monetary Fund
- c) **Financial Action Task Force (FATF)**
- d) United Nations

18. Under Ghana's financial laws, a bank is required to report suspicious financial transactions to:

- a) The Ghana Revenue Authority
- b) The Ministry of Finance
- c) **The Financial Intelligence Centre (FIC)**

- d) The Ghana Association of Bankers

19. Which of the following is NOT a primary participant in a payment system?

- a) Payer
- b) Beneficiary
- c) Payment Agent
- d) Auditor**

20. The Payment Systems and Services Act of Ghana was enacted in which year?

- a) 2005
- b) 2019**
- c) 2016
- d) 2021

21. Which of the following is a traditional method of payment before modern systems?

- a) Cryptocurrency
- b) Mobile Money
- c) Barter System**
- d) ATM Cards

22. Which of the following is not a duty of a Data Controller under the Data Protection Act?

- a) Registration with the Data Protection Commission
- b) To enquire about the data subject's state of health**
- c) To allow data subject to review his data
- d) To keep data for a limited period

23. The provision of the Data Protection Act relating to storage limitation requires Data Controllers to keep data for a limited period. Which of the following is not an exception to the rule?

- a) Where it is required by law
- b) Where the Data Controller deems it appropriate**
- c) Where it is required for research
- d) Where it required for historical purpose

24. What is one of the benefits of deposit insurance?

- a) Increase in bank loans
- b) Contributes to financial stability**
- c) Elimination of financial regulations
- d) Increase in government income

25. Which organization was created to enhance international financial stability through promoting best practices in deposit insurance in 2002?

- a) IADI**
- b) IMF
- c) World Bank
- d) ECB

26. Which Ghanaian institution oversees the country's deposit protection scheme?

- a) Ministry of Finance
- b) Bank of Ghana
- c) Ghana Deposit Protection Corporation**
- d) National Insurance Commission

27. Which of the following is not required in registration of security at the collateral registry

- a) Amount borrowed
- b) Nature of security**

c) Value of security

**d) Health status of borrower**

28. The Borrowers and Lenders Act requires the following of banks when asked to provide a statement of a borrower's credit

a) Provide statement within 7 days of request

**b) Provide statement within 5 days of request**

c) Provide statement within 1 day of request

d) Provide statement within 10 days of request

29. Which of the following is NOT a duty of a Credit Reference Bureau (Credit Report Recipient)

a) Keep information confidential

b) Use the information only for purposes stated in the legislation governing Credit Reference Bureaus

**c) Submit report of credit default to the Financial Intelligence Center**

d) Use the information provided to provide credit reference

30. Which of the following is NOT one of the circumstances in which a bank may provide a report to a Credit Reference Bureau without the consent of a customer?

a) Borrower involved in financial malpractice

b) Person engaged in issuance of dishonoured cheques owing to lack of funds

c) Loan overdue for 90 days or more, amount not in dispute and customer not made any satisfactory proposals for repayment

d) **Borrower is a first-time borrower**.

## Section B Essay Questions

**Answer TWO QUESTIONS ONLY**

### Question 1

Outline five functions of Bank of Ghana as provided under the Bank of Ghana Act 2002 Act 612? [20 Marks]

Question 1 Marking Scheme

- Monetary policy
- Banker to the Government
- Issuer of currency
- Regulation of banks
- Lender of last resort
- Promoting financial stability and maintaining the country's balance of payment
- Supporting general economic policy of the government.

### Question 2

Explain five circumstances under which Bank of Ghana may revoke a license issued to the institutions that are regulated by the Banks and Specialized Deposit-Taking Institutions Act

[20 Marks]

- Applicant providing misleading or inaccurate information in connection with application for a license
- Institution fails to commence business within a year from date of issue of license
- Institution fails to comply with the terms stated in the license e.g., to take only local currency deposits
- Institution carries on business in a manner detriment to the interests of depositors or the public
- Institution convicted by a domestic court or any other court of competent jurisdiction of a crime related to money laundering or terrorist financing or is an affiliate or subsidiary of a parent or holding company which has been so convicted
- In the judgment of Bank of Ghana the bank or specialized deposit-taking institution engages in unsafe or unsound practices
- The institution persistently contravenes the BSDTI Act, Regulations, Directives or Orders issued under the Act
- The institution becomes insolvent.

### **Question 3**

Deposit protection for bank depositors is yet to be tested in Ghana. Discuss Ghana's deposit protection regime highlighting five key provisions as well as what you consider to be its shortcomings

#### Question 3 Marking Scheme

- Implementing Institution Ghana Deposit Protection Corporation
- Nature of insurance – Paybox Scheme
- Deposits covered by the Deposit Insurance
- Amount Payable for Banks and SDIs
- Membership of the Scheme – compulsory for all deposit-taking financial institutions
- Premiums payable
- Mode of payment of depositors following failure and revocation of bank or SDI License.

### **Question 4**

Outline five key provisions of the Corporate Governance Directive issued by Bank of Ghana.

[20

Marks]

- Application, interpretation (definitions) and objectives
- Sources of law, Legal basis of Directive BSDTI Act
- Qualification of Directors, Employees and Key Management Personnel
- Disclosure of Interest by Directors
- Intervention of Bank of Ghana in appointments
- Corporate Governance Provisions including
- Board overall responsibility
- Annual certification
- Business strategy
- Duty of care and loyalty

- Corporate culture and values
- Related party transactions
- Succession planning
- Key Management oversight of board
- Separation of powers
- Independent director
- Board qualification and composition
- Board size and structure
- Directors' appointment tenure and age limit
- Appointment of key management personnel
- Alternate Director
- Board Chairperson
- Board Secretary
- Board meetings and other engagement of directors
- Board performance evaluation and reporting
- Board sub-committees
- Conflicts of Interest
- Role of senior Management.

## **SECTION C CASE STUDIES**

### **Answer 1 Question only.**

#### **Question 1**

Independent Bank PLC is one of the top banks in the country. However, it has experienced a general decline in its operations in recent times which has been attributable to its weak compliance systems. For example, credit facilities have been granted to companies connected with some board directors.

In recent times also the bank has been subject to fines in respect of its weak anti-money laundering regime.

Due to these developments the CEO of the bank was forced to resign and in addition Bank of Ghana has appointed an Advisor to turn around the operations of the bank. The bank has also seen a significant increase in fines from Bank of Ghana due to non-compliance with some of the provisions of the Anti-Money Laundering Act 2020 Act 1044

#### **Answer Question 1**

1. What are “conflict of interests”? [3 Marks]

The term “conflict of interest” relates to conflicts that may arise between the personal interests and objectives of directors and key management personnel and the interests and objectives of the institution.

A conflict of interests arises where personal interests clash with professional duties and responsibilities.

In business, a conflict of interest arises when a person chooses personal gain over duties to their employer, or to an organization in which they are a stakeholder, or exploits their position for personal gain in some way.

2. Mention and explain three (3) disclosures are directors and key management required to make to address issues of conflict of interest as provided by the Banks and Specialized Deposit-taking Institutions Act and Bank of Ghana's corporate governance directive

[12

Marks]

The disclosures directors and key management must make include:

- The professional interest of that person or office that person holds as manager director, trustee or by any other designation
- The investment or business interest of that person in a firm, company or institution as a significant shareholder, director, partner, proprietor or guarantor
- Any proposed contracts with a third party that the directors may have interest in

3. Mention three predicate crimes that form the basis of money laundering [3 Marks]

Any three of the following

- Bribery
- Corruption
- Armed Robbery
- Drug trafficking
- Tax evasion
- Human trafficking
- 

4. Mention and explain three components of a robust anti-money laundering system for a financial institution as provided by the Anti-Money Laundering Act 2020 Act 1044

[12 Marks]

- Board & Senior Management responsibilities – Policies, Framework & Compliance Culture
- Identifying, assessing and understanding the risks arising from doing business
- Know your customer and customer due diligence (CDD) – Enhanced Due Diligence
- Record keeping & Information
- Reporting suspicious transactions
- Monitoring transactions Internal Control, Compliance & Auditing
- Employee Training and Monitoring and Protection of Staff

**TOTAL MARKS**

**[30**

**Marks]**

## Question 2

The Compliance Risk Manager for Bayflower Bank PLC. tells you that your Managing Director has called a meeting for him to advise the management team of the following and needs you to assist him to prepare a quick write-up for his presentation:

- a) Mention and explain the two modes Bank of Ghana employs in supervising the financial operations of institutions subject to its regulation. [8 Marks]
  - Offsite monitoring – entails financial institutions submitting periodic reports to Bank of Ghana on their operations. The Bank of Ghana Bank Supervision Division officials study these reports to identify any lapses in bank's operations
  - Onsite inspections – at least once every year the Bank of Ghana Officials are required to visit the banking premises to scrutinize or inspect their books amongst others to confirm compliance with prudential requirements and ascertain the banks state of solvency
- b) Discuss three (3) advantages of any one of the two modes of bank supervision [6 Marks]  
Advantages of Offsite Supervision
  - Offsite supervision is cost-effective and allows regulators to monitor a large number of banks more efficiently.
  - It also enables regulators to analyze data over time to detect trends and potential issues.
  - They can be updated frequently when new reports are received
  - They serve as a basis of financial evaluation of the bank in between onsite examinations
  - They are potentially able to isolate potential risk factors that may lead to future problems.
- c) What are the regulatory provisions in respect of the situations outlined above? [8 Marks]  
Bank of Ghana has imposed a fine on your bank for failure to notify them of the appointment of a new General Manager of the Treasury Division. – Section 60 (4) of BSDTI Act requires banks not to appoint a key management personnel without prior written notice and subsequent approval from Bank of Ghana

Through the directions of the Compliance Manager's predecessor, the bank suspended the granting of staff loans on concessionary basis. Staff are now clamouring for the scheme to be reinstated. – section 69 of the BSDTI Act places restrictions on bank lending to staff. Under subsection 3 aggregate lending o concessionary terms to staff should not exceed twenty percent of the Bank's Net Own Funds

The bank has also been subject to a fine for breaching its primary reserve requirements. – section 36 (1) of BSDTI Act provides that Bank of Ghana may prescribe one or more liquidity requirements for Banks, SDIs or Financial Holding Companies. Section 40 of the Act provides for sanctions against the institutions that breach such liquidity requirements

Management is considering approving a deal which would raise the bank's single obligor limit to 30% of Net own Funds.

Section 62 (1) of the BSDTI Act places limits on financial exposures to persons and a group of connected persons. In the case of secured advances, this must not exceed 25% of the Bank's Net own Funds. Under section 62 (2), in the case of unsecured advances, tis must not exceed 10 % of Net own Funds

d) What points do you suggest should be contained in your boss's report to management?

[8 Mark]

The report must address each of the issues by specifying the regulatory provisions in respect of each issue.

Issue 1

In this case the bank is in breach as the bank should have provided prior notification for approval by bank of Ghana before making this appointment. Management should write a letter of apology to Bank of Ghana for this infraction.

Issue 2

Concessionary loans may be reinstated as and when staff loans are paid off and there is some allowance to provide such facilities without breaching regulatory limits

Issue 3

Breach of cash reserve requirements require a closer look at cash outflows from the institution. A limit may also be placed on new loans being granted

Issue 4

Sigle obligor limits breached. A discussion should be commenced to get the counterparty to repay the loan to enable the bank comply with the limits.

**TOTAL MARKS**  
**Marks]**

**[30**