

IGS IN VIEW: OUR STORY

1. INTRODUCTION

This document highlights the story, before, during and after the financial sector clean-up exercises. It highlights our achievements, challenges, lessons and way forward. The document is grouped into four thematic areas: Pre-Financial Sector Clean-up, Financial Sector Clean-up, Post-Financial Sector Clean-up, and Way forward.

2. PRE-FINANCIAL SECTOR CLEAN-UP PHASE

IGS Financial Services Limited (IGS) is one of the largest Fund Managers in Ghana with over twelve (12) years' experience in severing the investment needs of the public. IGS was incorporated in 2009 and licensed by the Securities and Exchange Commission (SEC) and National Pensions Regulatory Authority as a fund manager, with an objective of being among the top ten (10) fund management firms in Ghana within ten (10) years of its incorporation. With strong core values (Client-Focus, Integrity, Teamwork and Excellence), sustainable business model, a committed team and the provision of superior services, we achieved significant success, and were ranked as the 7th largest Fund Manager in Ghana by SEC and 11th by an internal industry analysis conducted, as at Dec. 31, 2019, with total assets/funds under management of GHS 534.38Million. Prior to the financial sector clean-up, we made prompt client payments. All clients' funds are consistently invested in accordance with relevant regulatory requirements and no clients' funds have been diverted, misapplied nor misappropriated. In addition to our prudent approach to the management of client's funds, IGS has always remained highly compliant with regulatory requirements. Till date, IGS continually operates an open-door policy, creating avenues for transparent engagement and effective client enquiry via various channels including our highly interactive online and social media presence.

3. FINANCIAL SECTOR CLEAN-UP

3.1 Revocations of Licenses of Bank of Ghana Regulated Entities

The Bank of Ghana revoked the licences of nine banks between August 14, 2017 and January 4, 2019 and their selected assets and liabilities were transferred to either the Consolidated Bank Ghana Limited or the GCB Bank Limited. On May 31, 2019, Bank of Ghana announced the revocation of the licenses of 386 microfinance and micro-credit institutions. On August 16, 2019, Bank of Ghana announced the revocation of the licenses of 23 Savings and Loans and Finance Houses. Bank of Ghana appointed Mr. Eric Nipah as a Receiver of these institutions in accordance with section 123 of Act, 2016 (Act 930).

3.2 Impact of the Revocations of Licenses of Bank of Ghana Regulated Entities on IGS

The revocations of these licenses significantly impacted our clients and business as we had placed funds, on behalf of clients, with some of the collapsed institutions. Over GHS 300million of funds were affected, thereby resulting in the delay in the recovery and payment of funds invested on behalf of Clients.

3.3 Validation of All Investment Claims

Subsequent to the revocation of the Licenses of these Microfinance, Money Lending, Savings and Loans and Finance Houses/Institutions by Bank of Ghana and the appointment of Mr. Eric Nipah as the Receiver of these institutions, the Receiver made publications for the submission of claims by individuals and institutions which had funds with the entities whose licenses had been revoked. IGS submitted the necessary claim forms to the Receiver for validation and payment, as required, in respect of the funds placed with some collapsed institutions. We have now achieved full validation of claims submitted to the Receiver. An initial payment of 92% of these validated claims were accordingly paid to IGS, upon which same was paid to clients. We paid approximately GHS

300million recovered funds to clients, therefore, dropping our industry ranking from 11th to 16th largest Fund Manager in Ghana, as at Dec. 31. 2020, with total assets/funds under management of approximately GHS 250million. Despite the initial delays in the validation of the remaining 8% of claims, these were subsequently validated, following our vigorous engagement with the Receiver. Though the remaining 8% of claims has been validated, same has not been paid by the Receiver and because of this, we have not been able to pay our clients. The remaining 8% shall be paid when received from the Receiver. By recovering and paying 92% of the funds, IGS has indeed proven itself worthy of managing and protecting clients' funds. Despite all the challenges, IGS has done better than other institutions, who have most of their funds under receivership.

3.4 Accruing of Returns on Funds Under Receivership

Unlike other institutions, IGS did not reduce nor stop accruing returns immediately the licenses of the affected institutions were revoked. In fact, IGS continued to accrue interest/returns on affected funds up to December 31, 2019. This was done out of goodwill to appreciate our clients, who were patient during the financial sector clean-up. If we had stopped accruing returns as required by law, the 92% paid would have amounted to approximately 100% of clients' funds, and there would not have been 8% outstanding. However, we are committed to paying the outstanding 8%, when funds are received from the Receiver.

3.5 Forefront of Resolving Industry Issues and Recovery of Clients Funds

IGS played a key role in mounting the necessary pressure on authorities, as part of its many efforts, that led to the recovery and payment of funds from collapsed institutions. For example, we took legal action against Bank of Ghana and the Receiver (Suit No. CM/BFS/1285/2019) to ensure 100% of depositors' funds were paid. We withdrew the case from court when, on February 20, 2020, The President, H.E. Nana Addo Dankwa Akufo-Addo, in his State of the Nation Address, guaranteed the payment of 100% of depositors' funds. Following the President's address, the Receiver announced that the full payment (100% of depositors' funds) was to be made with 5-year zero-coupon non-interest-bearing government bonds, contrary to the President's assurance. Additionally, Consolidated Bank Ghana (CBG) decided to charge exorbitant/punitive discount rates, which would have resulted in depositors only receiving 50.81% (in present terms) of the value of the bonds, but later revised to only 53.78%. We protested against these actions and further petitioned Bank of Ghana against the conduct of CBG. We also led a group of Fund Managers to also petition The President, H.E. Nana Addo Dankwa Akufo-Addo, to intervene on the same issue. In an industry Zoom meeting on July 10, 2020, the President of the Ghana Securities Industry Association acknowledged and appreciated the role of IGS in getting industry issues resolved. Eventually, it was announced that full payment was to be made in cash and same was implemented.

4 POST FINANCIAL SECTOR CLEAN-UP PHASE

4.1 Surviving the ongoing liquidity crisis

The current liquidity issues in the industry are mainly due to panic withdrawals occasioned by the financial sector clean-up, which has resulted in some remaining Bank of Ghana regulated institutions being unable to pay funds placed with them, on behalf of clients.

IGS is a time-tested company. We have been able to survive the recent financial sector clean-up and we shall survive the current challenges. Bank of Ghana has assured IGS that it is aware of the issues facing the remaining institutions and that it shall resolve them, just as the previous issues were resolved. Subsequently, Bank of Ghana for the first time publicly admitted that there are lingering issues, which shall be resolved.

Reference: <https://www.ghanaweb.com/GhanaHomePage/business/Government-will-need-GH-8bn-to-address-lingering-issues-in-financial-sector-BoG-1591682>. Alternatively, you may watch the Broadcast of Bank of Ghana's 107th MPC Pressing Briefing via the following link: <https://www.facebook.com/thebankofghana> or

https://fb.watch/eDfVdhCx_a/, with particular attention drawn to the questions and answers section of the press briefing. This confirms what we have been communicating to clients and explains the challenges in recovering funds invested on behalf of clients. We are committed to recovering all funds placed on behalf of clients.

5. WAY GOING FORWARD

Our experience, including lessons from the financial sector clean-up, have informed our revised business approach. As part of our efforts in these uncertain times to reduce our clients' investment risks, IGS decided to allocate all new and/or recovered investments to Government Securities, as we monitor the recovery and stability of the financial sector. Therefore, it is our hope that clients who have requested to redeem their funds will reconsider their intentions to redeem their investments. We have indeed proven to be a credible and trust-worthy investment partner through these turbulent times. Below are some of our new approaches:

- Full transparency: We disclose the details of all funds invested on behalf of clients, including the names of the third-party institutions, where funds have been invested, whether on a discretionary authority/mandate granted by a client or otherwise. We also provide to the third-party institutions, the names of the beneficiary owners on whose behalf investments are made.
- All new funds, for investment purposes, are treated separately: We have ring-fenced all new funds from previous/existing funds, which may be having issues, so no new funds are commingled with previous/existing funds.
- Availability to offer advice in respect of your investment and to diversify your investment to a minimum risk that satisfies your investment objectives (return and risk).
- Enhanced due diligence on third parties: We have strengthened our investment committee, and partner verification mechanism, to ensure rigorous assessment, prior to the investment of client's funds.
- Provision of timely communication, including quarterly statements and periodic portfolio reviews.
- Continuous client satisfaction and client education on financial literacy.
- Continuous professional development to improve the expertise of all employees to the benefit of clients.
- Advancing to a top-five ranked fund manager in Ghana providing superior services relative to other financial institutions including the banks. This goes to prove and confirm our fund management capabilities and commitment to our fiduciary responsibility to our clients.
- Renew our professional indemnity insurance and fidelity guarantee insurance. Professional indemnity insurance provides cover for the financial consequences of neglect, breach, error or omission by IGS in the conduct of its professional/fiduciary duty in the management of clients funds for investment purposes. Fidelity guarantee insurance provides protection against losses of money by reason of fraud, theft or dishonesty of IGS's employees in connection with their employment.
- Continuous adherence to our strong corporate values: We have remained guided by our core values of Client-Focus, Integrity, Teamwork and Excellence. These have found expression in our new investment strategies and initiatives, following lessons from the banking sector clean-up exercise.
- Continuous compliance with all applicable laws, regulations, directives, guidelines and best practices.

6. CONCLUSION

Despite the recent industry challenges, IGS is still one of the largest Fund Managers in Ghana with an objective to be among the top-five Fund Manager's in Ghana in the near future. In the face of the rigidity and uncertainty that came with the financial sector clean-up and its associated challenges, IGS proved its mettle. Throughout the period, the Company's strong core values: Client-Focus, Integrity, Teamwork and Excellence, were all tested and proven. As a trustworthy and resilient company, it is better to choose IGS over untested/unproven companies or other companies including new companies. IGS is here to stay.