



**GHANA
STOCK
EXCHANGE**

RULES FOR EXCHANGE TRADED FUNDS

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1. Introduction

- (1) The following rules are for listing and trading of Exchange Traded Funds (ETFs) on the Ghana Stock Exchange (GSE or Exchange).
- (2) The general listing rules prescribing the requirements for obtaining and maintaining the listing of securities on the Ghana Stock Exchange (2006) shall not apply to ETF's.

2. General

- (1) Trading of ETFs on the GSE will be subject to the GSE's Trading and ETF Rules.
- (2) Trades in ETFs shall be settled through the Clearing and Settlement System of the GSE and Securities Depository System of GSE Securities Depository Ltd.
- (3) ETF's units/securities shall be freely transferable.
- (4) An application for the issue of ETFs must include the following information:
 - (a) Details of the Issuer;
 - (b) Brief description of combination or structure of the ETF and the underlying asset on which the ETF is structured if applicable;
 - (c) Net Asset Value (NAV) of the ETF as at the date of application;
 - (d) Percentage change of the NAV of the underlying basket of securities/index/underlying asset for the previous 6 months on a weekly basis;
 - (e) Liquidity (turnover/market capitalization) of each of the underlying basket of securities/index/underlying asset for the previous 6 months on a weekly basis;
 - (f) The basis of computation of management fees.
 - (g) Currency in which the ETF will be structured and traded; and
 - (h) Any other information that may be required by the GSE.

3. Criteria for listing

- (1) ETFs must:
 - (a) be open ended;
 - (b) be issued over an underlying basket of securities/index/underlying asset acceptable to the GSE.
 - (c) be fully covered/secured at all times: either by the underlying securities/commodities or financial instruments it represents, a proxy security acceptable to GSE which should be listed, freely tradable and have adequate

- liquidity or cash;
 - (d) have a methodology for computation of the NAV of the ETF.
 - (f) house the component securities in a trust and a Trustee should be appointed, subject to approval by the SEC, to protect the interest of the investors in the ETF.
- (2) The underlying index or portfolio must consist of securities that are listed on the GSE or any other Securities Exchange acceptable to the GSE and SEC;
- (3) The ETF Issuer must:
- (a) prove to the GSE that it has the relevant expertise to issue ETFs or has access to such expertise;
 - (b) satisfy the GSE that a secondary market in the ETF will be established and maintained;
 - (c) Undertake to compute the Net Asset Value (NAV) of the ETF on a daily basis and make the NAV public to all market participants at the same time through the GSE;
 - (d) Ensure that the computation of NAV will take into account any corporate action on the underlying securities if applicable and management fees.

4. Conditions for Listing

- (1) An Issuer of ETFs must comply with the following requirements:
- (a) All applications for listing ETFs are to be submitted to the Exchange through a sponsoring broker;
 - (b) The Issuer must be duly incorporated or otherwise validly established under the law of the country of incorporation or establishment of the ETF, and must be operating in conformity with its regulations/memorandum and articles of association (or similar statutory provision) and all laws of its country of incorporation or establishment.
 - (c) Where an Issuer is seeking a secondary listing for an ETF listed on another Stock Exchange, it must be in compliance with the requirements of that Exchange and the relevant laws of that country and such Exchange should be acceptable to the GSE.
 - (d) The GSE may, in its overriding discretion, grant a listing to an Issuer who does not fulfill the requirements set out or refuse a listing to an Issuer who does not comply with the listing requirements on the basis that, in the GSE's opinion, the grant or refusal of the listing is in the interest of the investing public.
 - (e) The Issuer must appoint one or more Licensed Dealing Members as liquidity providers.

5. Contents of Offer Document

- (1) An applicant Issuer of ETFs must include the following in an offer document:

- a) Full name of Issuer, Manager and Trustee;
- b) Place and date of incorporation of Issuer, Manager and Trustee;
- c) The full names, details and addresses of directors of the Issuer, Manager and Trustee;
- d) General Information about the Issuer;
- e) The names and addresses of the sponsoring brokers, advisors and transfer agents to the issue;
- f) Summarized audited financial statements of the Issuer for the previous 3 years or any period that the Exchange may determine;
- g) A description of the underlying asset;
- h) If it is an index ETF the following is required:
 - (i) A description of the index,
 - (ii) A description of the constituent stocks and the ratio of their combination;
 - (iii) The name of the publisher of the index;
 - (iv) Its date of establishment and how it is compiled;
 - (v) The identity of the party that sponsors and/or calculates the index;
 - (vi) The frequency with which the index is updated and published;
 - (vii) Provisions in the event of modification and discontinuance of the index;
 - (viii) The authority to use the index from the party that sponsors and /or calculates the index;
- i) NAV of the ETF as at the date of publication of offer document;
- j) Basis of pricing of the ETF by the Issuer and/or Manager;
- k) Basis and formula for the computation of management fees applicable to the ETF;
- l) Summary of Trust Deed;
- m) Rules pertaining to the treatment of corporate actions;
- n) Summarized description of the capital market in Ghana;
- o) Regulatory and Tax considerations;
- p) Risk Factors;
- q) Terms and Conditions of the Offer;
- r) Cautionary Statements to be displayed in bold type on the face or at the

commencement of the offer document.

- “ Prospective purchasers of any ETF should ensure that they fully understand the nature of ETFs and the extent of their exposure to risks, and that they consider the suitability of ETFs as an investment in the light of their own circumstances and financial position”;
 - This prospectus/offer document has been reviewed and approved by Securities and Exchange Commission in accordance with section 9 of the Law. In its review, the Commission examined the contents of the prospectus/offer document to ensure that adequate disclosures have been made. To ascertain the financial soundness or value of the securities on offer, investors are advised to consult a dealer, investment adviser or other professional for appropriate advice.
 - An application has been made to the Ghana Stock Exchange (“GSE”) for the listing of Exchange Traded Funds (ETFs) under the Offer. The GSE has given approval for the listing of the said units on the First Official List. The GSE assumes no responsibility for the correctness of any of the statements made, opinion expressed and reports presented in this Circular.
- s) Any other information that is required by Securities and Exchange Commission (SEC).

6. Continuing obligations

- (1) The Issuer is required to disseminate any price sensitive information on the underlying securities to the GSE, within one business day.
- (2) The Issuer of the ETF will be required to make an announcement via any Acceptable Communication Channels should there be a change in the constituent portfolio or the underlying index/asset within one business day.
- (3) The Issuer should disseminate the NAV of the ETF to participants based on the closing price on a daily basis before the commencement of trading. This shall be done through the GSE and other acceptable communication channels.

7. Daily Publication

- (1) On a daily basis, an ETF Fund Manager must provide:-
 - (a) The NAV of the ETF of the preceding day;
 - (b) NAV per Security at the close of day;
 - (c) NAV of the Portfolio of assets;
 - (d) Number of Securities in issuance;
 - (e) Index level or underlying asset price (as applicable) for the preceding day;
 - (f) The constitution of any index basket;
 - (g) Management fees payable; and

- (h) Underlying market alerts in respect of the underlying asset or index (as applicable).

8. Increases and redemptions in issue size of existing ETF's

- (1) In the event of an increase in the issued quantity of existing ETFs, the Issuer shall submit a memorandum detailing the specific terms of the increase in issue size including the quantity and price of the ETFs to be issued.
- (2) Issuer may increase or reduce the issue size of existing ETFs, subject to the approval of the GSE and announce such change in the issue size through the GSE.

9. Corporate actions and dividends

- (1) In the case of ETFs that make provision for regular distribution of dividends to investors, such distributions should be announced through the GSE in accordance with the following requirements:
 - a) Qualifying date; and
 - b) The cash amount and payment date.
- (2) In the case of index ETFs where corporate actions, including but not limited to, mergers, takeovers, splits, consolidations, rights issues, capital reductions or scrip dividends, occur in a constituent security of the ETF, the Manager of the ETF shall rebalance its portfolio in accordance with the rules of the providers of the index and/or the rules pertaining to the ETF.
- (3) Where such rules allow the payment of special distributions to shareholders, rather than the re-investment of such proceeds in the constituent component of an index, the Manager will distribute such proceeds to the ETF shareholders in accordance with its rules.

10. ETF risk management

- (1) The Issuer of the ETF shall undertake the responsibility of ensuring that the value of the underlying securities and collateral if any at any given point in time is greater than or equal to the NAV of the ETF units issued.
- (2) ETFs should be covered fully by the securities/commodities or financial instruments they represent or in the alternative be covered by a sample selection of such securities and other collateral if any acceptable to the GSE.

11. The appointment of Liquidity Providers

- (1) An applicant Issuer shall, prior to the listing of the ETF, appoint one or more Licensed Dealing Members (LDMs) who must undertake to quote bid and offer prices in respect of the ETF on a daily basis.
- (2) The liquidity Provider must undertake to execute transactions at such quotes when there is a bid or offer.

12. Pricing of ETFs

- (1) The ETF shall not issue units/securities other than at the price calculated in accordance with the Offer Document, without the prior approval of the Exchange;
- (2) The issue price shall be on a basis approved by the Exchange and shall not include management charges and other fees. All management charges and other fees are required to be separately specified in the Offer Document;
- (3) The calculation of the NAV of the ETF by the Fund Manager shall be based on a methodology which is transparent and independently verifiable;
- (4) The ETF must publish the latest NAV of the ETF and the latest NAV per Security on a daily basis and this information shall be disseminated on a real-time or near real-time basis.

13. Responsibilities of the Manager

- (1) The Issuer may appoint a Manager to act on its behalf for the purpose of managing the ETF or undertake to manage the ETF by itself.
- (2) The ETF Manager may levy a management fee and be reimbursed for expenses incurred for managing the ETF.
- (3) The basis of computation of such fees and expenditures should be disclosed to the GSE and investors.
- (4) The Manager may at any time, at its discretion, waive or rebate its remuneration or reimbursement of expenditure or any part thereof.
- (5) Subject to the ETF rules and the articles of Memorandum the Manager may in its absolute discretion-
 - (a) Do all such things and enter into all such arrangements as are necessary for the administration of the scheme and to achieve the investment objectives of the ETF;
 - (b) Select, purchase, sell, exchange or change any of the assets of the underlying securities in the ETF
 - (c) Appoint persons to exercise powers and perform duties on its behalf and in particular, appoint transfer secretaries, secretaries and agents;
 - (d) Act on the advice or information obtained from professional advisers and others considered by it to be experts.
- (6) Any expenditure incurred by the Manager for the following purposes shall not be reimbursed-
 - (a) Preparing cheques, warrants, notices, accounts, summaries, declarations, offers or statements which the Trustee is required to issue, serve or send, and deposit the same with the Trustee together with stamped and addressed envelopes, if so required.

- (b) Preparing, signing and executing certificates and transfers of assets which, would have to be prepared by the Trustee, and the deposit of same with the Trustee for signature and execution.
- (7) Appointment of New Managers
- (a) The Manager may, with the written approval of the Trustee and the GSE, appoint any company qualified to act on its behalf, and may assign to such appointee all its rights and duties as Manager in a form as approved by the Trustee and the GSE/SEC in terms of which it undertakes to fulfill all the obligations of the retiring Manager.
 - (b) The retiring Manager is then, upon payment to the Trustee of all sums then due by it to the Trustee (without prejudice to the rights of the Trustee, investors or other persons, in respect of any act or omission prior to such retirement) be absolved and released from all its duties and obligations under these rules.
 - (c) The new Manager shall thereafter exercise all powers, enjoy the rights, and perform duties and obligations of the Manager of the ETF under these rules.
- (8) If the Manager is liquidated, the Trustee shall take immediate steps for the appointment of a new Manager.
- (9) The ETF Manager must be a body corporate, a company or a collective investment undertaking, registered under a regulatory authority acceptable to the GSE and must be competent, have required expertise for the performance of duties and have an unblemished reputation.
- (10) The Manager must satisfy Regulation 5 of the Unit Trust and Mutual Funds Regulations 2001 (L.I.1695) regarding minimum capital requirements.

14. The Trustee

- (1) (a) The Issuer shall appoint a Trustee to protect the interests of investors.
- (b) In the event that the structure of the ETF does not support a Trustee's arrangement, the Issuer shall put in place an entity that will protect the interest of investors that is acceptable to the GSE and SEC.
- (2) The Trustee must satisfy relevant conditions as prescribed by SEC.
- (3) The powers, authority, obligations and responsibilities of the Trustee shall be detailed in the trust deed and shall include the following:
 - (a) The Trustee shall have all the powers necessary to protect the interests of investors and have the powers necessary to perform its functions to achieve the objectives of the ETF.
 - (b) Legal proceedings relating to an ETF must be instituted by or against the

Trustee in its capacity as the Trustee and as such and the Trustee may institute, prosecute, intervene in or defend any legal proceedings relating to or concerning an ETF and may as a prerequisite to such action, require the Manager to indemnify it against all costs, expenses and liabilities thereby incurred.

- (c) The Trustee is not liable to make any payments to any investor except out of any funds held by or paid to it for the purpose under these rules.
- (d) The assets of a portfolio must be registered either in the name of the Trustee or with written consent of the registrar in the name of the nominee company of the Trustee. The Trustee is liable for any act or omission of the nominee company in relation to any assets held in the name of the nominee company. Despite the foregoing, the Trustee or its nominee company must take delivery of and retain in safe custody and under its supervision and control the documents of title to the assets.
- (e) The Trustee may deal in participatory interests and act as banker to the scheme. In particular the Trustee may:
 - (1) Purchase, hold, deal in or dispose of participatory interests for its own account;
 - (2) Act as banker for the scheme if the Trustee is a bank;
 - (3) Not to be accountable in any way to the Manager or investors for any profits made or benefits derived by it from any of the matters referred to in clause e(1).
- (f) The Trustee may act upon the advice, statements or information obtained from lawyers, the Manager, bankers, and accountants, members of any Exchange or other persons considered by the Trustee to be experts in relation to the matters upon which they are consulted.
- (g) The Trustee may be required to resign from office by written notice at the request of not less than 50 per cent of the investors excluding the Manager, and holding not less than 50 per cent in value in all the portfolios.
- (h) A Trustee appointed in the place of a retiring Trustee must execute an instrument in a form approved by the Manager and the registrar in terms of which it undertakes to fulfill all the obligations of retiring Trustee. The appointment of the new Trustee must be approved by SEC. The new Trustee shall exercise all the powers, enjoy all the rights, and subject to all the duties and obligations, as fully as if such new Trustee had originally been a party to the scheme.
- (i) A Trustee is deemed to have resigned if its certificate of registration is revoked or suspended and the Manager must in that event immediately appoint another person qualified to act as Trustee.

15. Accounts and Audit

- (1) The Fund Manager shall comply with all Accounts and Audit requirements of Collective Investment Schemes as prescribed by Regulations 47 and 48 of the Unit Trusts and Mutual Funds Regulations 2001 (L.I. 1695).
- (2) The Fund Manager shall prepare and present the financial statements of the ETF in accordance with approved accounting standards, applicable Rules and applicable regulations and the constituent documents of the ETF.
- (3) The financial statements of the ETF shall be audited annually by an independent auditor appointed by the Fund Manager. The audited financial statements shall be included in the annual report of the ETF.
- (4) The annual report of the ETF shall be submitted to the Exchange and SEC within three (3) months of the ETF's financial year-end.
- (5) The Manager, Trustee or Custodian shall on a monthly basis conduct and submit a report of reconciliation of all Units on issue as well as the underlying assets to the Exchange and the Securities and Exchange Commission.
- (6) An ETF Issuer shall prepare and circulate to SEC, GSE and unit holders before the expiry of three months from the close of its financial year an annual report containing audited annual financial statements.
- (7) The annual report of the ETF shall be published and distributed to holders of Securities in ETF at least 21 days before Annual General Meetings (AGMs) of the ETF's financial year-end and as the Exchange may prescribe from time to time.

16. Reports to Investors

- (1) An ETF Issuer shall make Quarterly financial statements available to SEC, GSE, and unit holders before the expiry of one month from the end of each quarter.
- (2) The ETF issuer may exercise the option to publish the quarterly financial statements in the press instead of despatching the statements to each unit holder individually.
- (3) In the event that an issuer exercises the option specified in sub-rule (2), the financial statements shall be published in at least two newspapers of national circulation.

17. Trading of ETFs

- (1) Trading of ETFs shall take place on the trading system of GSE (GATS).
- (2) All relevant GATs rules shall apply subject to such guidelines as the GSE from time to time may determine.

18. Application and Annual Listings Fees

- (1) The Application Fees payable by the Issuer will be 0.025% of the NAV of the ETF at the point of listing subject to a minimum of GH¢7,000 and a maximum of GH¢75,000 as the Exchange may determine.
- (2) The Annual Listing fees on account of ETFs will be 0.025% of the NAV of the ETF at the beginning of the calendar year subject to a minimum of GH¢4,000 and a maximum of GH¢75,000 as the Exchange may determine.

- (3) The Exchange may grant discounts on the said fees as it shall determine.

19. Transaction Commissions

- (1) For all secondary transactions in Exchange Traded Funds, the following commission rates shall apply:

Maximum commission of 1.25% of the value of the transaction; and

Minimum commission of 0.75% of the value of the transaction.

- (2) The components of the commission shall be:

GSE Levy	-	0.125%
SEC Levy	-	0.075%
Depository Levy	-	0.05%
LDM	-	remainder

20. Power to Modify Rules

- (1) The Exchange may waive any of these Rules as it deems fit in any particular circumstance, and upon sufficient justification being provided.
- (2) The SEC shall in all cases be given prior notification of exemptions and waivers. Waivers and exemptions shall be granted upon receipt of acknowledgement and consent from the SEC.

21. Sanctions

- (1) In executing trades in the GATS, as well as doing business generally, Licensed Dealing Members shall conduct themselves in accordance with these Rules and the Code of Conduct as set out in Part II of the GSE Membership Rules.
- (2) Failure to observe sub-rule (1) shall attract the sanctions outlined in rule 22 of the GSE Membership Rules.
- (3) The Exchange may suspend listing or compulsorily de-list securities where the company has failed to comply, or is unable, or unwilling to comply for any reason whatsoever with the Exchange's requirements on continuing listing obligations and disclosure policy as set out in these rules.

22. Interpretations

In these Rules unless the context otherwise requires:-

Acceptable Communication Channels	acceptable communication channels may include one of the following: <ul style="list-style-type: none">(i) the ETF Fund Manager's website;(ii) a hyperlink from the ETF's website to the website of the Exchange;(iii) information pages of vendors who disseminate trading information of Securities in their ordinary course of business. The information pages must be easily accessed by retail vendors;(iv) electronic media for information dissemination as provided by the Exchange from time to time, or(v) any other channel considered acceptable by the Exchange.
Asset Manager	an asset Manager which is registered with the Commission.
Business Day	a day when the Exchange is open for business.
Commission	Securities Exchange Commission of Ghana.
Companies Act	the Ghana Companies Act of 1963 Act 179 as amended.
Council	the Council of the Ghana Stock Exchange
Creation Size	The specified number of Creation Securities as determined by the Fund Manager which can be purchased in consideration for delivery of the assets or basket of assets or cash reflecting the portfolio of the ETF.

CSD Act	the Central Securities Depository Act of 2007, Act 733.
ETF	Exchange Traded Fund
ETF Rules	the rules governing the listing and trading of ETF's on the Exchange.
Exchange Traded Fund	<p>an undertaking which is a:</p> <ul style="list-style-type: none"> (i) collective investment scheme; or (ii) company with fixed capital; or (iii) company with variable capital whose articles provide that; <ul style="list-style-type: none"> (a) the amount of the paid up share capital of the company shall at all times be equal to the net asset value of the company; and (b) the shares of the company shall have no par value or (vi) other structure satisfactory to the Exchange, which issues an unleveraged security listed on an approved Exchange and tracks the performance of a specified security or other asset which includes but is not limited to stocks, basket of assets, indices, commodity prices, and/or foreign currency rates or any other appropriate benchmark approved by the Exchange from time to time.
Financial Instruments	any contract that gives rise to both a financial asset of one party and a financial liability of another party.

Foreign Capital Market Instruments	securities traded on Exchanges in countries where they are issued and which have been approved by Securities and Exchange Commission of Ghana.
Foreign ETF	an ETF, whose primary listing is on an exchange outside of Ghana
Fund Manager	Manager of the ETF.
GATS	GSE Automated Trading System.
GSE Trading Rules	the rules governing trading of securities listed on the Exchange.
GHS	Ghana Cedi, the currency of the Republic of Ghana
Issuer	any public company or other legal entity whose securities is the subject of an application for admission, or has been admitted to listing
Licensed Dealing Member	a member of the Ghana Stock Exchange, being a corporate body, which is licensed to deal in securities.
Listed Securities	securities admitted to the Official List of the Exchange or any other Exchange.
NAV	Net Asset Value
Offer Document	a prospectus or document for the placement of securities
Portfolio Assets	a portfolio of constituent underlying securities of an ETF
Price Sensitive Information	any information relating to the basket of securities/index/underlying asset which has the propensity to affect the price of the ETF

Redemption size

the specified number of securities determined by the fund manager which can be redeemed in consideration for delivery by the ETF of assets or basket of assets or cash reflecting the portfolio of the ETF

SEC

the Securities and Exchange Commission of Ghana.