

THE GHANA FIXED INCOME MARKET GOES GREEN!



THE GHANA FIXED INCOME MARKET (GFIM)

The Ghana Fixed Income Market (GFIM) of the Ghana Stock Exchange (GSE) is a debt market that facilitates trading of all fixed income securities (debt instruments).

At the GSE, institutions can borrow (debt) from the investor public or issue shares (equity) to the investor public. In the same way, an investor can either invest in debt or in equity securities to build wealth.

The GSE creates a platform for entities seeking capital and for investors seeking investment opportunities in both the debt and equity space.

The GFIM was established in 2015 by key stakeholders in the financial market led by the Ghana Stock Exchange (GSE), Bank of Ghana (BoG), the Ministry of Finance, Central Securities Depository Ghana Ltd (CSD), Ghana Association of Bankers, Financial Market Association (ACI Ghana) and Licensed Dealing Members (LDMs).

In April, 2022, requirements and guidance on how to issue Sustainable Bonds requirements were added to the GFIM Listing Rules, enabling issuers (corporates, government) to refine their green, social and sustainability growth strategies and tap into increasing investor demand for such instruments.

This document provides an overview of the opportunity associated with the sustainable bonds for issuers and for investors.



I. GFIM: THE SUSTAINABILITY BONDS MARKET

Sustainability Bonds are bonds whose proceeds will be exclusively applied to finance or re-finance green, social projects or for demonstrated progress on sustainability goals and targets.

GFIM allows for sustainable bonds to be issued to the investor public. GFIM recognizes these bonds as one of the most significant developments in the financing of low-carbon, climate-resilient investment opportunities and an innovative solution to addressing social related issues like affordable basic infrastructure (sanitation, clean drinking water), food security and health pandemics such as the COVID-19. Therefore, there is a huge market potential to be realized in the issuance of sustainable bonds.

This implies that sustainability bonds can be:

Social Bonds

Gender Bonds

Green Bonds

Sustainability Bonds

Sustainability-linked Bonds (SLBs)

Other Sustainability-themed Bonds

SOCIAL BONDS:

Bonds that support new or existing projects with positive social outcomes.



GENDER BONDS:

They are broadly defined as bonds that support the advancement, empowerment, and equality of women.

GREEN BONDS:

Bonds that support new or existing projects that generate climate or other environment benefits that conform to Green Guidelines and Standards referred to by the GSE.



SUSTAINABILITY BONDS:

Bonds that support new or existing projects that generate both environmental and social benefits that conform to the Sustainability Guidelines referred to by the GSE.



SUSTAINABILITY-LINKED BONDS:

These are general purpose bonds that supports future improvements in sustainability outcome(s).





OTHER SUSTAINABILITY-THEMED BONDS:

Any new type of sustainable bond that may emerge from time to time and is accepted by the GSE and the SEC

*THESE BONDS
CAN BE LISTED &
TRADED UNDER
THE GFIM RULES*

II. WHO ISSUES SUSTAINABLE BONDS?

The Issuer (government, corporate, organizations etc.) of sustainable bonds indicates that the Issuer is committed to the future improvements in sustainability outcome(s) in the society.

The issuer has a role to play in supporting the development of the sustainable bonds by being an anchor for the issuances and in compliance with the Sustainability Bond Framework found under the GFIM Rules.

The Issuer can use the proceeds from the issuance of Sustainable Bonds to finance a pool of:

projects related to the education sector

projects related to green energy

projects related to the water sector

projects related to the health sector, and

eligible projects which promote gender equality and women's empowerment

Benefits of Issuing Sustainable Bonds

- Improves the reputation of the issuer as an ESG compliant company.
- Contributes a new source of sustainable finance
- Improve alignment with reference to project lifespan and instrument longevity.
- Strong investor demand is attracted, which may result in significant oversubscription and favorable price.

Processes of Issuing a Sustainable Bond

1. An issuer, other than the Government of Ghana or BoG, shall submit to the GFIM an application for admission with supporting documents, which shall include a copy of the prospectus or placement document, where applicable.
2. The precise form of document to be produced in respect of an application for admission shall be agreed upon with the GFIM which includes:

A letter of application

Supporting authorization and/or company resolutions

Admission undertaking

A Prospectus which includes the Sustainable Bond Framework

3. An issuer seeking admission through a public offer shall submit a copy of its offer prospectus to the SEC for approval, unless exempted by law.
4. The GFIM does not guarantee admission as of right to a security whose public offer document has been approved by the SEC but shall base its decision on its own assessment of the application for admission and supporting documents submitted.
5. An issuer seeking to have a security admitted on the GFIM by introduction shall file a prospectus or a statement in lieu of prospectus for approval by the SEC and publish same after the SEC approval, unless the issuer is exempted from filing a prospectus by the SEC.

III. WHO CAN INVEST AND WHAT ARE THE BENEFITS?

Sustainable bonds are open to all investors. Anybody can invest in sustainable bonds. Sustainable bonds, which include green, social, sustainability and sustainability-linked bonds, can offer a range of potential benefits to the investor which includes:

Enhanced risk management and improved long term financial returns

Green Bonds can help mitigate climate change-related risks in the portfolio due to changing policies such as carbon taxation which could lead to stranded assets.

Green Bonds give investors a chance to direct capital to climate change solutions

Investment in Green Bonds matches long term liabilities and will also help build a sustainable society for pensioners to retire into

For further information, contact Head of GFIM



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