

HOW TO BUY AND SELL SHARES





INTRODUCTION

Many people often ask the question: "What exactly is a Stock Exchange?" This brochure, which is one of a series of brochures published by the Ghana Stock Exchange, is designed to clarify the myths about the stock market and to help you understand the operations of the stock market.

WHAT IS A STOCK EXCHANGE?

A Stock Exchange is an organized market on which securities such as shares, and bonds can be bought and sold. It is a market where there are buyers and sellers. They buy and sell securities such as shares, bonds etc. Prices on the stock market for securities bought and sold are generally determined by demand and supply (what people are willing to buy and what sellers have available for sale). The market is supervised by officials of the Stock Exchange as well as the Securities and Exchange Commission.

On this market, individuals and companies can buy shares and bonds and other securities of companies through Licensed Dealing Members or stockbrokers of the Ghana Stock Exchange. The buyers include persons residing in Ghana as well as non-residents. It includes Ghanaians and foreigners. Adults (persons above 18 years) can buy shares for themselves and also buy in trust for their children. When you buy shares in a company, you become a part-owner of the company for as long as you desire. You cannot go back to the company to collect your money when you need it but you can sell the shares (which are the evidence of your part-ownership of the company) on the stock market to another investor. When you sell the shares, and quit as a shareholder of that company, the buyer replaces you as a shareholder and the company continues to use the original money to do its business. Since the Stock Exchange is an organized market, it has rules and regulations, which govern its activities. These rules and regulations are designed to protect all market participants, especially the individual who puts up money to invest.

WHY DO WE NEED A STOCK EXCHANGE?

A Stock Exchange assists businesses to go to the general public to raise long-term funds to expand, modernize, etc. Business expansions assist in job creation and result in economic wealth for the country through taxes and better goods and services. Companies which raise capital from the issue of shares or bonds are able to expand their services, replace equipments and develop new products. More goods and services come to the market as more Ghanaians are employed and have more money to buy and the overall economy grows. The Stock Exchange provides an alternative for investing your idle funds for greater returns such as dividends, interests and capital gains. The Stock Exchange creates career opportunities for young people in brokerage companies, financial analysis and reporting.

A Stock Exchange serves as an attraction for foreign investment into our economy. Government can borrow money from the investing public through the stock market by issuing bonds and stocks to build infrastructure such as roads, hospitals and schools.

WHO OWNS THE GHANA STOCK EXCHANGE?

The Stock Exchange is a public company limited by guarantee. It has members who contributed to its establishment. Since the Exchange exists not purposely to make profit, these members do not expect to receive dividends. The key goal of the Exchange is to facilitate the trading of securities in a fair and transparent manner. There are two categories of members, namely Licensed Dealing Members and Associate Members. A Licensed Dealing Member is a corporate body licensed by the Exchange to deal in shares or bonds listed on the Exchange. An Associate Member is an individual or corporate body who identifies with the laudable objectives of the Exchange but not licensed to deal in securities.

WHAT ARE SECURITIES?

Securities are financial instruments or legal documents signifying either an ownership position in a company (i.e. shares) or a creditor relationship with a company or Government (i.e. stocks or bonds).

WHAT ARE SHARES?

Shares represent the money which investors give for a company when they invest in that company. When you buy shares, you become a part-owner (shareholder) of that company. Evidence of your ownership of shares is either by a certificate or by the records (statement) of the Central Securities Depository (Gh) Ltd. Being a Shareholder of a company means that you have a say or Vote in how the company's affairs are run and you also have a share in the company's profits that is distributed to shareholders. The part of the profit of a company that is distributed to its shareholders is called Dividends. The size of all the previous profit of the company and the Board of Directors determine how much dividend will be paid to shareholders. Therefore, dividends are not fixed amounts, unlike interest.

WHAT ARE BONDS?

Bonds are long-term fixed interest-bearing securities issued by Government and companies. When one buys bonds, one gets interest income, which is paid periodically until the bond matures and the principal is paid back to the buyer by the company or Government that issued them. Investors of bonds get interest even if the issuer does not make a profit from the use of those funds. Bonds can be resold on the stock market at an agreed price between the seller and the buyer.

WHO IS AN INVESTOR?

An investor is a person or an institution who uses his savings or funds to buy securities.

WHAT ARE THE BENEFITS OF BUYING SHARES?

THESE BENEFITS WILL INCLUDE THE FOLLOWING:

- Dividend income, which is part of the company Bonus shares, which are additional shares, distributed freely to existing shareholders in proportion to what they hold in the company. Possible capital gains when you sell your share. A capital gain is the profit you make when you buy shares at a certain price and later sell it at a higher price.
- The right to vote at shareholders' meetings. Every shareholder has the right to be invited to all general meetings of the company that he is a shareholder of.
- The statement of accounts from the Central Securities Depository (Gh) Ltd. which is evidence of your ownership are accepted as collateral by banks or savings and loans companies. Sometimes a rights issue which is a new issue for cash to existing shareholders in proportion to their holdings, usually at a preferential price. Investment in stocks and bonds, on the other hand, gives the investor a fixed amount of interest periodically until the debt matures or until the debt is paid back by the issuer.

HOW DOES ONE BUY OR SELL SHARES ON THE GHANA STOCK EXCHANGE?

Securities are bought and sold on the Ghana Stock Exchange only through Licensed Dealing Members also known as Stockbrokers. A Licensed Dealing Member or stockbroker is a company which buys and sells securities on behalf of investors for a fee or commission. An investor cannot personally come to the Stock Exchange to buy shares but can buy them through Stockbrokers. Stockbrokers, apart from buying and selling securities on behalf of clients, also offer investment advice and provide services such as vaults and depository accounts for the safe-keeping of securities for clients. They also give up-to-date information or research findings about securities to their clients.

To buy shares, an investor must first contact a stockbroker to open a depository account. This is similar to opening an account with your bank. The account you open will be credited with the shares you buy as well as debited with shares you sell. Subsequently, periodic statements from the Central Securities Depository (Gh) Ltd. sent to you will show the number of shares you hold in the various companies. Once the depository account is opened, the investor must decide on the kinds of companies that are of interest to him. The stockbroker can also recommend the shares which are suitable for an investor's needs when the stockbroker is given the option to make recommendations. After making a decision on the shares, the stockbroker buys the shares at the most favourable price at the time of trading on the automated trading system on the trading floor of the GSE, in his office or through the internet. Once the stockbroker buys the shares on the market, he sends to the buyer a Contract Note showing the date of the transaction, the number of shares bought, the price per share and the commission or fees chargeable and the total amount involved. The procedure for selling shares is similar to that of buying shares.

WHAT EVIDENCE DO I HAVE THAT I OWN SHARES?

Under Ghana law evidence of ownership of listed shares or securities is either by a share certificate or statement from the Central Securities Depository (Gh) Ltd. However, on November 14, 2008, the Exchange commenced the migration of paper share certificates into the Central Securities Depository (Gh) Ltd., a Ltd Liability Company owned by the Ghana Stock Exchange and the Bank of Ghana. The Central Securities Depository (Gh) Ltd. in basic terms can be likened to a bank which keeps records of investors' shares in electronic form. As banks keep records of cash (cedis, US dollars, pound sterling, etc) in electronic form so does the Central Securities Depository (Gh) Ltd. keeps investor's record of shares in electronic form but not hard paper certificates. Certificates now being held by investors are gradually being withdrawn into the Central Securities Depository (Gh) Ltd.

Investors in listed securities will receive statements i.e. statement of ownership of shares under the authority of the Central Securities Depository (Gh) Ltd., just as they receive bank statements for cash held at banks (but not hard paper certificates).

ADVANTAGES OF A DEPOSITORY

The benefits of opening accounts and keeping shares in the depository include:

- Risks associated with lost or defaced certificates will reduce significantly.
- Impersonation in respect of ownership of certificates will also reduce because, among other things, every investor will be given a special identification number.
- A paperless share certification system will facilitate the process of selling existing shares and therefore improve liquidity for all shareholders, existing and potential. Companies will not have to print, sign and dispatch hundreds of certificates ever so often. Pledging one's shares as collateral for a bank loan or facility should become much easier for both individuals and institutional shareholders.

IS THERE ANY PROTECTION FOR THE INVESTOR?

The Exchange has a Rule Book which is designed to protect the investor. In addition there is a Council (Board of Directors) with supervisory roles and whose duty, among others, is to prevent malpractices.

The Council also has the power to suspend or expel any member who contravenes any of the rules of the Exchange. Under the Securities Industry Act 929, (2016) the apex regulatory body is the Securities and Exchange Commission (SEC). The functions of the commission include:

- Maintaining surveillance over securities to ensure orderly fair and equitable dealing in securities.

LICENSED DEALING MEMBERS (LDMs)

1. AMBER SECURITIES LTD

Registered Offices: 2nd Floor, Heritage Tower,
6th Avenue Ridge Ambassadorial Enclave, Accra

Telephone: 233-302-679761/2

Fax: 233-302-679698

E-mail: securities@amber.com.gh

Website: www.amber.com.gh

Postal Address: PMB 45 Ministries Accra

2. BULLION SECURITIES LIMITED

Registered Offices: The Octagon, Suite B904,
Barnes Road, Accra, Ghana

Telephone: 233-54-0113508

E-mail: trading@bullion.com.gh

Website: www.bullion.com.gh

3. CHAPEL HILL DENHAM SECURITIES GHANA LIMITED

Registered Offices: Suite 2, The Labone Office Park,
N. Sithole Street, Labone

Telephone: 233-302-766865

Fax: 233-302-771346

E-Mail: ghana.info@chapelhilldenham.com

Website: www.chapelhilldenham.com

4. DATABANK BROKERAGE LTD

Registered Offices: 61 Barnes Avenue, Adabraka, Accra, Ghana

Telephone: 233-302-610610

Fax: 233-302-669100

E-mail: equities@databankgroup.com / info@databankgroup.com /
fixedincome@databankgroup.com

Website: www.databankgroup.com

Postal Address: P.M.B Ministries Post Office, Accra, Ghana

LICENSED DEALING MEMBERS (LDMs)

5. EDC Stockbrokers Limited

Registered Offices: 2nd Floor, Ecobank Head Office Building,
2 Morocco Lane, Off Independence Avenue

Telephone: 233-302-610400

E-mail: esl@ecobank.com

Website: www.ecobank.com/swam

6. TEAK TREE BROKERAGE LIMITED

Registered Offices: 2nd Floor, C625/3 Farrar Street,
Asylum Downm, Accra

Address: P.O.BOX AN 5879, ACCRA-NORTH

Telephone: 233-302-978838/9

E-mail: info@ttbghana.com

Website: www.ttbghana.com

7. PRUDENTIAL STOCKBROKERS LIMITED

Registered Offices: No 8 John Harmond Street,
Ring Road Central, Accra

Telephone: 233-302-610610

Fax: 233-302-768046

E-mail: info@prudentialstockbrokers.com

Website: www.prudentialstockbrokers.com

Postal Address: P. O. Box CT 628, Cantonment, Accra

8. SERENGETI CAPITAL MARKETS LIMITED

Registered Offices: 5 Abafun Crescent, Labone, Accra
Post GPS: GL-026-9470

Telephone: 233-559-354050

E-mail: ragbesi@serengeticapital.com

Website: www.serengeticapital.com

Postal Address: P. O. Box CT 2868

LICENSED DEALING MEMBERS (LDMs)

9. FIRSTBANC BROKERAGE SERVICES LTD.

Registered Offices: #7 Volta Street Off Patrice Lumumba Street,
Airport Residential Area

Telephone: 233-302-781489/781484/780402

E-mail: brokerage@firstbancgroup.com

Website: www.firstbancgroup.com

Postal Address: P.O. Box 1464 Osu, Accra

Winslow Sackey Sackeyfio

10. CDH SECURITIES LIMITED

Registered Offices: 36 Independence Avenue, North-Ridge, Accra

Telephone: 233-302-671050/0244974256

Fax: 233-302-662167

E-mail: cdhsecurities@cdhgroup.co / info@cdhgroup.co

Website: securities.cdhgroup.co

Postal Address: P.O.Box 14911, Accra

11. WORLDWIDE SECURITIES LIMITED

Registered Offices: 80 Ringway Link, Yeboah Afari Plaza Osu.

Telephone: 233-302-256001/2 233-302-764878/9

Fax: 233-302-764580

E-mail: info@worldwidesecurities-gh.com

Website: www.worldwidesecurities-gh.com

Postal Address: P. O. Box 01072 Osu, Accra

12. NTHC SECURITIES LIMITED

Registered Offices: Martco House, Okai-Mensah Link,
Off Kwame Nkrumah Avenue Adabraka-Accra

Telephone: 233-302-235814/ 302-235616

Fax: 233-302-229975

E-mail: info@nthc.com.gh / securities@nthc.com.gh

Website: www.nthc.com.gh

Postal Address: P.O. Box KIA 9563, Airport - Accra, Ghana

LICENSED DEALING MEMBERS (LDMs)

13. BLACK STAR BROKERAGE LIMITED

Registered Offices: The Rhombus, Plot 24 Tumu Avenue, Kanda - Accra.

Telephone: 233-302-227698/ 233-269-012542

E-mail: info@blackstarbrokerage.com.gh

Website: www.blackstarbrokerage.com.gh

Postal Address: PMB 59, Osu, Accra

14. SBG SECURITIES LTD

Registered Offices: 8th Floor, Stanbic Heights, 215 South Liberation Link, Airport

Telephone: 233-302-610690

Fax: 233-302-687669

E-mail: brokerage@stanbic.com.gh

Website: www.stanbicbank.com.gh

Postal Address: P.O. Box CT 2344, Cantonments, Accra

15. IC SECURITIES (GHANA) LIMITED

Registered Offices: No. 2, 2nd Ridge Link, North Ridge, Accra

Postal Address: PMB GP 104, Accra

Telephone: 233-302-252621/3

Fax: 233-302-252517

E-mail: gse@icsecurities.com

Website: www.icsecurities.com

16. SIC BROKERAGE LIMITED

Registered Offices: NO .67 A&B Switchback Road Cantonments

Telephone: 233-302-940056/940021

E-mail: trader@sicbrokerage.com

Website: www.sicbrokerage.com

Postal Address: PMB CTPMB CT 314 Cantonments, Accra-Ghana

LICENSED DEALING MEMBERS (LDMs)

17. REPUBLIC SECURITIES GHANA LTD

Registered Offices: 48A Sixth Avenue, North Ridge, Accra

Telephone: 233-302-940056/940021

E-mail: securities@republicghana.com

Website: www.republicinvestmentsgh.com/republicsec/

Postal Address: P.O. Box CT 4603, Cantonments, Accra

18. UMB STOCKBROKERS LTD

Registered Offices: 57 Dr. Isert Street, North Ridge

Telephone: 233-302-251137

Fax: 233-302-251138

E-mail: stockbrokers@umbcapital.com

Website: www.umbcapital.com

19. STRATEGIC AFRICAN SECURITIES LTD

Registered Offices: 14th Floor, World Trade Centre Accra

Address: P. O. Box KA 16446, Airport, Accra

Telephone: 233 540116760 / + 233 302 661770 / 66190/ 661008

Fax: 233-302-663999

E-mail: info@sasghana.com; brokerage@sasghana.com

Website: www.sasghana.com

20. SARPONG CAPITAL LTD

Registered Offices: 2 Almond Avenue and 21 Boundary Road
Opposite Dufie Court, Off Boundary Road, East Legon,

Address: P. O. Box KA 16446, Airport, Accra

Telephone: + 233 540 122295/ +233 245 222934

E-mail: compliance@sarpongcapital.com

Website: www.sarpongcapital.com

**For further information, contact Marketing and
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