



GSE
GHANA STOCK EXCHANGE



GFM
GHANA FIXED INCOME MARKET

FREQUENTLY ASKED QUESTIONS AND ANSWERS ON COMMERCIAL PAPER

1. What is a Commercial Paper?

Commercial Paper (CP) means an unconditional promise by an Issuer to pay to the order of an investor, a certain sum at a future date.

2. What is the maturity range of a Commercial Paper?

A CP shall be issued for tenors of a minimum of 15 days and a maximum of 270 days.

3. Who are the typical issuers and buyers of Commercial Paper?

Issuer means an entity that issues, has issued or is going to issue a Commercial Paper. Other corporations, financial institutions, and wealthy individuals are usually buyers of Commercial Paper.

4. How is Commercial Paper issued?

An Issuer, through an Issuing House, shall submit appropriate documents at the time of application to the SEC for examination and approval.

5. What is the minimum size and denomination of Commercial Paper?

The minimum size of issue of a Commercial Paper shall be GHS 1million.

The Commercial Paper shall be issued in minimum denominations of GHS 10,000.

6. What are the benefits of issuing a Commercial Paper to the Issuer?

Lower Cost of Borrowing – A Commercial Paper typically offers a lower interest rate compared to other forms of short-term financing.

Diversification of funding sources-Issuing Commercial Paper can enhance a company's financial flexibility by diversifying its sources of funding and reducing reliance on traditional bank loans.

Quick access to funds - Commercial Paper can be issued quickly and provides a fast and convenient source of funds for companies needing short-term funds.

Enhanced Creditworthiness - Successfully issuing a commercial paper can enhance a company's credit profile and signal to investors that the company is financially stable and has strong cash flow.

7. What are the benefits of investing in a Commercial Paper to the Investors?

Commercial papers typically have short maturities, ranging from a 15days to 270 days making them suitable for investors seeking short-term investment opportunities.

Investing in commercial paper allows investors to diversify their portfolios. They can allocate funds across various issuers and industries, spreading risk.

Investors can choose commercial papers based on their risk tolerance and desired yield. Papers with higher credit ratings tend to offer lower yields but are considered safer investments, while lower-rated papers may offer higher yields but carry higher risk.

8.What are the risks associated with Commercial Paper?

The Issuing House shall ensure that the Offer Document clearly outlines the risks inherent in investing in a Commercial Paper.

9.How is commercial paper traded?

A Commercial Paper admitted shall be traded on all GFIM-approved platforms.

10.What are the regulatory requirements for issuing a Commercial Paper?

Complying with all applicable laws as stated in the Commercial Paper rules on GSE and GFIM websites.

11.What is the role of credit rating agencies in the Commercial Paper market?

Credit rating agencies assess the creditworthiness of issuers and assign credit ratings to their Commercial Paper.



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