



GSE
GHANA STOCK EXCHANGE



**FREQUENTLY ASKED
QUESTIONS AND
ANSWERS ON THE
OVER THE COUNTER
(OTC) MARKET**

GSE's OVER-THE-COUNTER MARKET FAQs

1. What is an Over the counter (OTC) market?

The Over the Counter (OTC) market, under the Ghana Stock Exchange (GSE), provides a decentralized platform for trading securities in companies that are not listed on any of GSE's markets. The GSE's OTC Market provides unlisted public companies with a platform for visibility, trading, and transparency in the trading of their securities.

2. What securities may be considered for admission to the OTC market?

Securities that may be considered for admission to the OTC market include ordinary shares, preference shares, derivatives, depositary receipts, and securities issued by collective investment schemes such as unit trusts, mutual funds, hedge funds, or Real Estate Investment Trusts (REITs).

3. What are the conditions for admission of securities to the OTC market?

To have securities admitted and traded on the OTC market, a company must be a public limited liability company incorporated under the laws of Ghana or any other public company accepted by the GSE and should not have filed for bankruptcy or be undergoing liquidation.

4. What is the process for admitting securities onto the OTC market?

Companies seeking to have their securities admitted to the OTC market must submit the necessary supporting documents, which include the company's profile, audited financial statements, annual reports, and constitution. The financial statements and annual reports must cover a minimum period of three years, or such shorter period as the company may have been in existence.

Where any of the above are not submitted because they are not applicable, the issuer shall submit a separate paper explaining why those documents are not applicable.

5. How are securities traded in the OTC market?

Trading is conducted on the GSE Automated Trading systems. The Automated Trading systems facilitate convenient and seamless trading between the parties involved. Trading in OTC securities is between 10:00 am and 3:00 pm for each trading session.

6. What are the benefits of the OTC market for issuers?

- **Increased visibility:** By being admitted onto the OTC Market, issuers can increase their visibility and exposure to potential investors who are specifically interested in trading on this market.
- **Access to capital:** The OTC Market provides issuers with another avenue to raise capital through the sale of securities. This can be particularly beneficial for smaller companies or those that may not meet the requirements for listing on the main board or alternative board of the GSE.

- There are no admission fees.
- Flexibility: The OTC Market offers issuers more flexibility in terms of the types of securities that can be admitted, as well as the reporting and disclosure requirements that must be met.
- Liquidity: The OTC Market can provide issuers with increased liquidity for their securities, which can be beneficial for shareholders who may want to buy or sell their holdings more easily.
- Visibility and Price discovery. Daily trading activities are live to our market participants. Investors can access trading activities on the GSE's market watch. (www.gsemarketwatch.com.)
- Less risk. Admitted instruments globally pose less risk to investors compared to private equities/ debts. Investors also get timely market information such as periodic releases of financial results and other price sensitive information to make informed decisions.

7. What are the benefits of the OTC market for investors?

- Diversification: Investors can use the OTC market to diversify their portfolios, as it offers access to securities not listed on the main or alternative boards of the GSE.
- Liquidity: The OTC market provides investors with an avenue to buy and sell securities.
- Transparency: The GSE, as the regulatory body for the OTC market, enforces strict reporting and disclosure requirements for issuers, which helps to enhance transparency and provide investors with better information to make informed investment decisions.
- Minimum trading costs. Trading costs have a floor rate of 1.5% and a cap of 2.5% per transaction.
- Ease in the transferability of securities. Investors buying shares can receive their securities within three days (T+3) after an order is filled. There are also dispensations for investors to receive their securities within T+0, T+1, or T+2 depending on the agreement between the transacting parties.

8. Who can buy and sell securities on the OTC Market?

When it comes to buying and selling securities on the OTC market, investors typically rely on stockbrokers to facilitate their trades. A stockbroker is a licensed professional who acts as an intermediary between buyers and sellers in the securities market. They can help investors navigate the complex world of buying and selling securities by providing valuable advice, research, and analysis. When an investor places an order with their stockbroker, the broker will then execute the trade on their behalf. Access our list of approved Licensed Dealing Members (LDMs) from <https://gse.com.gh/licensed-dealing-members/>

9. What are the risks of trading on the OTC market?

Investing in the OTC Market also comes with some risks, and thus, investors should conduct thorough research and due diligence before investing in any OTC security.

Contact our approved stockbrokers (LDMs) or an investment advisor for more information and advice (<https://gse.com.gh/licensed-dealing-members/>).

10. What are the reporting and disclosure requirements for issuers on the OTC market?

Issuers must comply with reporting and regulatory requirements under applicable laws, publish audited financial statements within three months after the financial year end, publish unaudited half-year financial statements within one month after the end of the half-year, disclose proposed dividends, court applications to wind up the issuer, and appointments of receivers or liquidators to the public through the GSE, and immediately disclose material facts, changes, or decisions that may influence investor decisions. Immediate disclosure means within one business day.

11. What is the difference between the OTC market and traditional exchanges?

The OTC market is decentralized and less regulated than traditional exchanges, with fewer listing and reporting requirements for companies.

12. How are securities transactions cleared and settled on the OTC Market?

- Transactions in OTC securities shall settle through the **Central Securities Depository (CSD) System**.
- The settlement shall be in accordance with the prevailing CSD Settlement Rules and Procedures.

13. What are the onboarding requirements for OTC securities at the CSD?

Shares register of companies will be reconciled and admitted to the Central Securities Depository System (CSD) in an electronic format. This process is called dematerialization.

14. What are the issuer admission requirements at the CSD?

A company whose securities are to be admitted into the CSD shall submit the following supporting documents.

- the profile of the company
- the company's audited financial statements and annual reports for at least three (3) years or such shorter period as the company may have been in existence
- the company's constitution or regulation (for companies registered before August 2019)
- Completed CSD Issuer Application Form
- Valid License from Industry Regulator

15. How can a company operate as a depository participant?

A company that has direct access to the GSE trading platform is required to be admitted onto the CSD system by applying for appointment to operate as a Depository Participant (DP) and shall submit the following supporting documents:

- the profile of the company.
- the company's constitution
- Company registration documents (certificate of incorporation, constitution)
- Company Profile (including Board Resolution)
- the company's audited financial statements and annual reports
- Valid License from Industry Regulator; and
- any other document that may be requested by the CSD.

16. How can one open a securities account at the CSD?

To be able to trade or hold securities electronically, an investor is required to have a securities account. An investor that already has an existing CSD Securities Account can register the Securities Account with any stockbroker of their choice. Investors without Securities Account can open one through any stockbroker of their choice by submitting the following documents based on the type of securities account:

Local Individuals (Individuals above 18 years)

- Completed CSD Form 1
- Copy of ID (Ecowas Card)
- Passport picture of the investor

Local company (Companies incorporated in Ghana)

- Completed CSD Form 1
- Certificate of Incorporation / Certificate to commence Business.
- Board Resolution to open a Securities Account.
- Authorized Signatures and copy of ID (Ecowas card) of
- Copy of ID (Ecowas card) of signatories

All other types and categories of Securities Account and the corresponding CSD requirements can be found at www.csd.com.gh.

All markets within the Ghana Stock Exchange (GSE) exhibit common features, including visibility, price discovery, easy liquidity, and timely dissemination of price-sensitive information. Listed companies must adhere to corporate governance requirements, such as appointing directors and establishing robust internal controls. There are no restrictions on the class of investors who can participate in any of the Exchange's markets. GSE markets prioritize transparency, with public reporting of trades and prices. Generally, these markets have higher liquidity due to the presence of institutional and retail investors, often involving larger, established companies.

Let's explore the differences among the various markets within the Ghana Stock Exchange (GSE):

17. What are the differences between OTC Market and GSE Main Market

Both markets prioritize transparency, with public reporting of trades and prices. However, the Main Market's reporting requirements are more rigorous.

- A. Companies under the main market are mandated to issue quarterly financial reports and full-year audited financial statements.

The reporting requirements for OTC companies include the publication of the issuer's:

- I. audited financial statements not later than 3 months after the relevant financial year; and
- II. unaudited half-year financial statements not later than one month after the end of the half-year.

- B. Trading Hours for the main market is as stated below:

- I. Pre-Open Period – 9:30 a.m. – 10:00 a.m.
- II. Opening–10:00a.m.
- III. Continuous Auction -10:00 a.m. to 3:00 p.m.
- IV. Closing – 3:00 p.m.

Trading hours for the OTC shall be from 10:00 a.m. GMT to 3:00 p.m. GMT each business day. There are no preopening sessions for the OTC market.

- C. The Main Board is for the trading of ordinary shares, preference shares, mutual funds, exchange-traded funds, rights, and unit trusts admitted to trading on the Exchange whilst the OTC market is used for trading securities such as derivatives or unlisted ordinary and preference shares or other securities not listed on any of the Exchanges trading platforms.
- D. Trades on the mainboard shall satisfy the price movement rules under the GSE's equities market trading rules whilst there are no price caps in respect of transactions in OTC securities.

- E. OTC securities are not included in the computation of the GSE's Composite Index and Financial Stock Index.
- F. While issues to the mainboard attract minimal admission and annual fee, there shall be no admission fee or annual fee to the issuer for having its securities traded on the Exchange's OTC platform.

18. What is the difference between OTC Market and Ghana Alternative Market (GAX)

- A. The GAX is a parallel market of the Ghana Stock Exchange Main market focusing on businesses with growth potential. The GAX accommodates companies at various stages of development, including start-ups and existing enterprises, both small and medium.

The OTC market accommodates public limited liability companies incorporated under the laws of Ghana and any other public company accepted by the GSE.

- B. Companies on the GAX may enjoy other incentives including pre-Initial Public Offer (IPO) financing, underwriting, access to a revolving fund to support the cost of raising capital, and deferment of up-front fees.

Companies in the OTC market may not have the above-mentioned opportunities.

- C. For a company's securities to be eligible for admission to the GAX, the company must have operated for at least one year and have published or filed accounts in accordance with the Companies Act, 1963 (Act 179) for at least the latest financial year.

For a company's securities to be eligible for admission to the OTC, the company's audited financial statements and annual reports for at least three (3) years or such shorter period as the company may have been in existence.

- D. Trading Hours for the GAX market is as stated below:
 - I. Pre-Open Period – 9:30 a.m. – 10:00 a.m.
 - II. Opening–10:00a.m.
 - III. Continuous Auction -10:00 a.m. to 3:00 p.m.
 - IV. Closing – 3:00 p.m.

Trading hours for the OTC shall be from 1000 hours GMT to 1500 hours GMT each business day. There are no preopening sessions for the OTC market.

19. What is the difference between OTC Market and Ghana Fixed Income Market (GFIM)

- A. The Ghana Fixed Income Market (GFIM) is a market that facilitates secondary trading of all fixed income securities.

- I. The following securities or instruments issued shall be automatically admitted and traded on the GFIM: (a) Government of Ghana treasury bills, notes and bonds; and (b) BoG money market instruments.
- II. The following securities or instruments may be admitted and traded on the GFIM:
 - a) money market instruments, notes and bonds of state-owned enterprises and other institutions controlled by the Government of Ghana or in which the Government of Ghana has an interest;
 - b) corporate notes and bonds;
 - c) local government bonds (i.e., metropolitan, municipal and district bonds);
 - d) supra-national bonds;
 - e) repurchase agreements (repos);
 - f) derivatives; and
 - g) other fixed income or money market securities.

On the contrary, securities that can be considered for admission onto the OTC market are:

- I. derivatives as defined in Act 929, depositary receipts, as well as rights to dividends, interest or other income or subscription rights; and
 - II. securities issued by collective investment schemes including any rights or interest whether described as units or otherwise under any unit trust, mutual fund, hedge fund or Real Estate Investment Trust (REIT).
- B. Trading on the GFIM is in Standard Market Lot of GH¢500,000 for benchmark securities; and in the case of all other transactions in benchmark securities, an amount of GH¢50,000 or as may be determined by the GFIM.

OTC securities shall be traded in single units.

- C. Trading hours for the GFIM is from 9:00 a.m. GMT to 4:00 p.m. GMT each business day.

Trading hours for the OTC shall be from 10:00 a.m. GMT to 3:00 p.m. GMT each business day.



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