THE INSTITTUTE OF CHARTERED ACCOUNTANTS (GHANA)

THE PROFESSIONAL ACCOUNTANT

JULY/SEPTEMBER 2019

THEME:

Regulated and Unregulated Investment Schemes; a Threat to Confidence in Financial Institutions

The Professional Accountant
OFFICIAL JOURNAL OF THE INSTITUTE OF CHARTERED ACCOUNTANTS (GHANA) JULY/SEPTEMBER, 2019

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In this issue

EDITORIAL

Professional Accountancy practice must involve technical, social and moral acts and exercises geared towards influencing businesses and decision making processes. Their training in accounting enables them to adopt a pragmatic and objective approach to solving issues. Accountants in business need to however be conscious of how they influence ethical business culture. The writer mentions that for an accountant to be a trusted advisor or business partner, professional ethics is fundamental. Doing the right thing is as important as being a technical expert. Professional accountants must use their skills and intimate understanding of their organisations and remain ethical in the environment they operate.

One of the key codes of ethics for the Chartered Accountants is Integrity. Professional integrity should be valued for bringing credibility to decision making and safeguarding the interests of stakeholders. The writer further stresses the need for Professional Accountancy Organizations to develop innovative strategies and how they can support professionals in the discharge of their duties and ethical responsibilities.

In another article, it was observed that although unemployment among university graduates was negligible until the mid-1990s, it has increased dramatically and Ghana has been facing a structural unemployment crisis for almost three decades. Of all the economic issues facing Ghana, none is more critical to the average citizen than the question of unemployment. In spite of this situation Ghana now has a countless number of universities producing more graduates for the job market day-in-day-out and unemployment rates persistently rise. The writer has called for the need to make our educational system more functional and to have entrepreneurial training inculcated so that the students can create their jobs.

In the modern economic times, foreign currency trade is a very common market for many all over the world. There are hundreds of currency dealers trading in dollars, pounds, yen, euro, and many other currencies. In Ghana, it is a common site where Bank of Ghana issues licenses to different categories of currency dealership and forex bureau operators.

These dealers perform as currency traders but it is also told that some of them deal in illegal remittances. Meanwhile, currency trading has a special impact on the economy and opens an extra window for trading a conservative and closed item. The writer discusses the factors creating the positive impact of open currency markets on the economic development of the country, and the impact of some negative relationships between business and the economy.

In an effective financial market, funds flow from deficit units to surplus units. These surplus units require compensation for deferring their consumption for the deficit units for the stated period. The unseen mechanism that makes it possible for the surplus units to transact with the deficit unit on the financial market is the treasured human attribute of trust or confidence they have in the deficit units. The reality is that the confidence in the financial market is interwoven in information irregularities and as such for every transaction on this market, information is not equal among parties. In all instances, deficit units have more information about the purpose and usage of mobilized funds than surplus units. This unequal information creates the opportunity for surplus units to be defrauded by some unscrupulous licensed and unlicensed financial institutions. The writer highlights the mode of operations, and attributes of some fraudulent financial operations and how these operations can be curtailed.

These and many more others are presented in this edition. You may submit your comments and contributions on this edition to: ofori.henneh@icagh.com or abigail.armah@icagh.com

IFAC NEWS

The Global Accountancy Profession's Call to Action for G20 Leaders

This is the global accountancy profession's call to action for G20 Leaders at the 2019 Osaka Summit. We believe these policies are fundamental to achieving the G20's aim of fair and sustainable development through an agenda that is people-centred, inclusive and forward looking. These are actionable steps toward realizing the United Nations Sustainable Development Goals (SDGs) and Japan's global vision for "Society 5.0".

While growth has returned to most economies, substantial uncertainty and downside risk remain, along with the temptation for politics to turn inward. We urge leaders and governments to reach outward, collaborating on global solutions to the evolving global challenges faced by citizens and toward realizing the incredible opportunities of the digital age in an inclusive way. Anything else is simply a band aid approach.

Meaningful progress on the SDGs is essential to maintain momentum and enthusiasm—2030 is approaching rapidly. The global accountancy profession is committed to playing its role in mainstreaming, implementing, and driving transparency in monitoring the SDGs. Japan presents a bold vision in Society 5.0, which the profession recognizes and supports.

These specific, actionable recommendations are informed by IFAC's network encompassing more than 3 million professional accountants worldwide, working throughout all economies and sectors. Accountants contribute $590 billion USD in direct gross value-added terms to the global economy each year. They contribute to economies inestimably through the transparency, integrity, and skills they bring that unlock the capacity for businesses to thrive, and for governments to play their important role.

It is time for implementation. We're counting on you, and we stand ready to work with you, to fulfil the SDGs and realize a thriving, sustainable Society 5.0.

Source: www.ifac.org/publications

Gaylen Hansen to Chair IESBA's Consultative Advisory Group

Gaylen R. Hansen has been appointed chair of the Consultative Advisory Group (CAG) to the International Ethics Standards Board for Accountants (IESBA), effective July 1, 2019. His appointment, which has been approved by the Public Interest Oversight Board, follows his election by IESBA CAG members. He has served on the IESBA CAG representing the US National Association of State Boards of Accountancy since 2010.

As chair, Mr. Hansen will lead the IESBA CAG — an independent body of international organisations from the regulatory, corporate governance, investor, preparer and user communities, and other stakeholders — in providing strategic and technical advice to the IESBA in the public interest. Mr. Hansen will play a key role in ensuring that the CAG's views are considered in IESBA deliberations.

For over a decade, Mr. Hansen served on the board of directors, and as chair from 2012 to 2013, of NASBA, a key participant in US accountancy profession regulation. He is also a founding member of NASBA's Center for the Public Trust, and represents NASBA on the International Auditing and Assurance Standards Board CAG.

Mr. Hansen is also a member of the American Institute of CPAs' Auditing Standards Board and a past member of its Professional Ethics Executive Committee. He is a past member of the US Public Company Accounting Oversight Board's Standing Advisory Group and a retired audit partner.

"I am honoured to have been elected IESBA CAG chair," said Mr. Hansen. "The CAG plays a vital role in enabling all those concerned in the work of, or services provided by, professional accountants to have a voice in the development and maintenance of standards that ensure a high level of ethical conduct. I look forward to shepherding the CAG's diversity of experience to assist the IESBA setting robust ethics standards."

Mr. Hansen will succeed Mr. Kristian Koktvedgaard, who has served as CAG Chair since July 2013. "I congratulate Gaylen on his appointment as CAG chair," said Mr. Koktvedgaard. "His experience and commitment working on ethics combined with his strong knowledge in audit, assurance and accounting issues is a great asset that will enable him offer strategic and technical advice."

Commenting on Mr. Hansen's appointment, Dr Stavros Thomadakis, IESBA Chairman, said, "Gaylen is a veteran in policy matters relating to the accountancy profession. His experience will serve the CAG well in its objective to provide public interest input to our standards development work. I congratulate Gaylen and I very much look forward to working with him in his new leadership role. On behalf of the IESBA, I also thank Kristian for his outstanding contribution to our work and his strong leadership of the CAG over the years. I wish him continued success in his future endeavours."

Source: www.ifac.org/publications

New Education Standard Focuses on Professional Development

The International Accounting Education Standards Board (IAESB) today released the revised International Education Standard (IES) 7, Continuing Professional Development. The standard clarifies the principles and requirements on how professional accountancy organisations measure, monitor, and enforce their continuing professional development systems. IES 7 (Revised) makes clear that all professional accountants must develop and maintain professional competence to perform their role.

"The transformative impact of new and emerging technologies, changing business models, and the dynamic environment in which we operate place new demands on the global accountancy profession," according to Anne-Marie Vitale, IAESB Chair. "Continuing professional development is fundamental to addressing and advancing the learning and development that enable professional accountants to provide high-quality services to their clients. These revisions will help enhance the consistency, quality, and relevancy of professional accountants."

The revised IES 7 places greater emphasis on learning and development needed for professional accountants' roles and responsibilities rather than focusing on a minimum number of hours. Significant revisions include:

- Requiring professional accountants to record relevant continuing professional development (CPD);

- Clarifying the output-based measurement approach, which requires professional accountants to demonstrate competence;

- Clarifying the input-based measurement approach, which requires professional accountants to demonstrate competence by completing a specified amount of learning and development;

- Promoting the use of a CPD framework to provide an example structure and guidance to help professional accountants identify, undertake, and record relevant development; and

- Providing CPD measurement approaches with examples of related verifiable evidence to improve adoption.

Released concurrently alongside with the new standard are support materials that will assist professional accountancy organisations understand and apply the requirements and support all stakeholders, including educational organisations, employers, regulators, and government authorities. IES 7 (Revised) becomes effective January 1, 2020.

Source: www.ifac.org/publications

Anne-Marie Vitale to Lead Accountancy Education Board

Anne-Marie Vitale has been appointed chair of the International Accounting Education Standards Board (IAESB), effective January 1, 2019. Ms. Vitale was the IAESB deputy chair.

As chair, Ms. Vitale will lead the IAESB's efforts in 2019 to complete top priority projects, including overseeing the exposure draft on proposed targeted revisions to the education standards addressing information and communications technologies and professional skepticism and related guidance.

Ms. Vitale will also continue her role as chair of the multi-stakeholder International Accountancy Education Transition Advisory Group that will inform the development and implementation of a future model for advancing global accountancy education. The future model will be agile, comprehensive and integrated, with a broader mandate than the IAESB, including a focus on future skills to remain relevant in an environment of rapid change.

Ms. Vitale succeeds Chris Austin as IAESB chair, who led the IAESB over the last four years with distinction. “Anne-Marie is an exemplary leader with extensive experience across accountancy. Her skills, experience and commitment to high-quality accountancy education make her an ideal selection as the IAESB's next chair,” said Mr. Austin.

“At the heart of the accountancy profession is high-quality education. There is tremendous opportunity for the profession to lead in the rapidly changing business environment. Completion of the IAESB's top priority projects combined with the future model will provide the foundation on which the accountancy profession can succeed by providing high-quality services,” said Ms. Vitale.

Ms. Vitale brings a wealth of expertise to her new role. Currently, she is a partner serving in PwC's Office of the General Counsel in a forensic capacity. She was also the learning and development leader for the assurance practice, and has more than 25 years serving emerging private and multinational public companies across multiple business sectors providing advice on a wide variety of accounting and reporting matters.

Source: www.ifac.org/publications

Special Report on PAFA Congress from Marrakesh, Morocco

By Isaac Adjin Bonney, CA

The Order of Chartered Accountants of the Kingdom of Morocco hosted the 5th edition of the Africa Congress of Accountants (ACOA) in partnership with the Pan African Federation of Accountants (PAFA) from 19th to 21st June 2019 on the theme: **'For A Successful Public Sector Performance in Africa'**,

Various topics discussed at the 10 plenary sessions and 20 workshops, all sought to highlight the need to achieve successful public sector performance in Africa.

Morocco is a member of the PAFA organization, which was launched in 2011. Morocco is currently a member of PAFA Board. Because PAFA's strategic mission is of public interest, its members work to accelerate the development of the accountancy profession, strengthen its voice in Africa, and help build strong public institutions and sustainable economies.

The PAFA is composed of 53 professional accountancy organizations from 43 countries. Accountants and public auditors are an integral part of the members of this federation. Membership of PAFA includes:

- Algeria, Angola
- Benin, Botswana, Burkina Faso, Burundi
- Cape Verde, Cameroun, Congo Brazzaville, Ivory Coast
- Djibouti, Dr Congo
- Ethiopia
- Gambia, Ghana, Guinee, Guinea-Bissau
- Kenya
- Lesotho, Liberia, Libya
- Malawi, Mali, Madagascar, Mauritius, Morocco, Mozambique
- Namibia, Niger, Nigeria
- Rwanda
- Senegal, Sierra Leone, South Africa, Sudan, Swaziland
- Tanzania, Togo, Tunisia, Chad
- Uganda
- Zambia, Zimbabwe

The first 4 editions of ACOA were a great success. They took place successively in Kenya, Ghana, Mauritius and Uganda with **more than 1000 participants from different countries, coming from Africa, America, Asia and Europe in each of the editions.**

This year's event was hosted by t**he Moroccan Institute of CPAs and** featured participation of 1,265 individuals from 58 countries from 4 continents. 53 African Professional Accounting Organizations and 12 International Organizations made up of people including heads of state, decision-makers, representatives of the High Royal Patronage, economists, financial professionals, investors, entrepreneurs, representatives of private companies, regulators and strong delegations of public institutions were represented.

Since Africa is in a process of change, the ACOA's editions systematically plan to dedicate themes to the public sector and the public-private partnership to debate on projects with structuring impact and their related issues.

The relationship between the accounting world and the performance of the public sector is more and more visible. Participants shared knowledge, ways and solutions to re-articulate and establish the meaning of success in the public sector.

GHANA

The delegation from Ghana was led by the President of ICAG, Prof Kwame Adom – Frimpong with about 50 professional accountants from both public and private sectors of Ghana. Participants came from CAGD, Bank of Ghana, SEC, GRA, Ghana Airport Company, Audit Firms, Ministries, Departments and Agencies, UDS, Koforidua Technical University, etc.

DAY 1

The Conference began on Wednesday, 19th June 2019 at 3.00pm with the OPENING CEREMONY.

The Theme for the conference was: ***THE AFRICA WE WANT: an integrated, prosperous and peaceful Africa-towards Agenda 2063.***

The Speakers present were;

- Saad Dine El Otmani, Head of Government of Morocco
- Mohamed Benchaaboun, Minister of Economy and Finance, Morocco
- Issam EL Maguiri , OEC President
- Jacobus Du Toit, PAFA President
- In-Ki Joo, IFAC President
- Biodun Adeyemo, Acting Director, African Union Commission.

Plenary 1. **The Keynote address was on the topic: Democracy and Innovation underpinning successful public sector in Africa**.

The Speakers present were:

- Edward Mitole, Founder of the African Renaissance Project, South Africa
- Moussa Mara, Former Prime Minister of Mali
- Patrick Michael Ayot, National Social Security Fund, Uganda

Plenary 2

GENDER PARITY: A Critical Pillar for attaining the Africa we want.

The Session was directed by: Asmaa Resmouki, OEC member and IFAC Board member.

Panellists on the topic were:

- Hon. Filomena de Fatima Ribeiro Vieira Martins, President of the network of women parliamentarians of ECOWAS
- Gladys Boss Shollei, Member of the Kenyan National Assembly
- Amina Bouayach, President of the National Human Rights Council and Human rights, Gender parity and democracy Activist, Morocco.

Special plenary 3 & 4

INVESTING IN AFRICA: Sharing initiatives from the region.

Presenting the joint series by IFAC and ACCA on good practices in public financial management.

The Session was directed by: Samir Agoumi, President of ACOA Technical Committee.

The Speakers present were:

- Helen Brand, CEO, Association of Chartered Certified Accountants (ACCA)
- Dorothé C. SOSSA, Permanent Secretary of the Organization for the Harmonization in Africa of Business Law (OHADA)
- Abdou Souleye Diop, OEC member, Morocco
- Amin Miramago, Institute of Certified Public Accountants Rwanda (ICPAR) CEO

DAY 2

The Conference continued on Thursday, 20th June 2019 at 8:45am.

Plenary 4

STRONG INSTITUTIONS: An enabler of effective public policies and public value management in Africa.

The Session was directed by: Shahied Daniels, South African Institute of Professional Accountants (SAIPA) CEO

Keynote Address was by: Dominique Strauss Khan, Economist, from France

The Speakers present were:

- David Kenani Maraga, Chief Justice of Kenya
- Moahloli Mphaka, Government Secretary of Lesotho
- Khalid Safir, Director General of Local Government, Morocco
- Abderrahmane Semmar, Director of State Owned Enterprises and Privatisation, Ministry of Economy and Finance, Morocco

Session 1
Simultaneous workshops

1. Education - The key to leveraging Africa's human capital and youthful population
2. Public Health Management Models - Regional Case Studies
3. The role of the Accountancy Profession in successful Public Value Management
4. Accrual Accounting - The case for Standardisation, Financial Reporting and Performance Management
5. Public Sector Performance Measurement - Global Insights & Experiences
6. Digitalisation in Performance Management and Measurement - Africa in the mix
7. African Forum of Independent Accounting and Auditing Regulators (AFIAAR) – SME Audit standards.

Plenary 5
Africa Professionalization Initiative (API)

The Session was directed by: Mussa J Assad, Controller and General Auditor, Tanzania

The Session Overview was by: Bruce Vivian, AFROSAI Senior Manager

The Speakers were:

- Meisie Nkau, AFROSAI-E CEO
- Kenneth Hlasa, ESAAG CEO
- Louisa Forlack, CREFIAF
- Fatoumata Cisse Sidibe, FIDEF President

Plenary 6
INTEGRATED THINKING: A tool for managing resources for the benefit of Africa

The Session was directed by: Patrick Kabuya, Senior Governance Specialist, World Bank, AIRC Secretariat and IIRC Council Member

The Speakers Present were:

- Alta Prinsloo, Executive Director, Quality & Development, IFAC
- Tarryn Sankar, Listed Credit & Investment Analyst, Future Growth, South Africa
- Biodun Adeyemo, Acting Director, African Union Commission

Session 2 Simultaneous Workshops

1. Unpacking Block-Chain for Effective Finance Management
2. Ethics and Tax: Enabling effective and efficient tax policy
3. Prioritizing, Rationalizing Public investment , Public Private Partnerships and Privatization
4. Public Finance Reforms in Africa: Improvement in Public Sector Performance and Reconfiguration of Organic Laws
5. PAO Capacity Building: A Case of African Development Bank (AfDB) Funding

6. State Owned Enterprises - Corporate Governance
7. IFRS for SMEs

Plenary 7
PERFORMANCE MEASUREMENT: Impacts Assessment and Accountability Requirements

The Session was directed by: Leonard Ambassa, PAFA Vice President

The Speakers were:

- Alexandre Arrobio, Practice Manager Governance for Africa, World Bank Group
- Ahmed EL Midaoui, Former Adviser to His Majesty the King, Former Minister, Former first President of Court of Auditors, Morocco
- Cosme Goundété, OECCA President, Benin
- Noureddine Bensouda, General Treasurer of Morocco

DAY 3

The Conference officially ended on Friday, 21st June 2019. It began at 9:00am and ended at 5:00pm

Plenary 8

ETHICS: An enabler driving Effective Service Delivery

The Session was directed by: Edwin Makori, International Accounting Education Standards Board (IAESB) Technical Advisor, Institute of Certified Public Accountants of Kenya CEO, Kenya

The Speakers were:

- Lawrence Semakula, Accountant General, Uganda
- Freeman Nomvalo, Former Accountant General and South African Institute of Chartered Accountants (SAICA) CEO, South Africa
- Driss Belkhayat, President of the Young Leaders Center, Morocco
- Mohamed Dardoudi, National Human Development Initiative Governor (Wali), Morocco

Session 3
Simultaneous Workshops

Supreme Audit Institutions and Parliament serving accountability

1. Africa Call for Research Papers Initiatives 2019 (ACRPI): Presentation of outcomes, Call Research 2021
2. Local Government and Performance Management
3. The Socio- economic impact of Human Development programs and initiatives
4. Accounting Technicians Initiatives
5. Accountancy Education

An inspiring motivational speech was given by Acogny Gilles Marcel. During his time with us, he touched on issues concerning life as well as pieces of advice mixed with humour. Mr. Marcel managed to leave us in awe and with deep thoughts by the time he was done. It was fulfilling having him around.

Plenary 9

DIGITAL ECONOMY AND ARTIFICIAL INTELLIGENCE: The Future of the Accountancy Profession

The Session was directed by: Zakaria Fahim, CPA member of Ordre des Experts-Comptables, Morocco.

The Speakers present were:

- Philippe Arraou, International Federation of Accountants (IFAC) Board member , European Tax Adviser Federation (ETAF) President and Federation of Mediterranean Accountants (FCM) President
- Sanjay Rughani, Deputy Chair, IFAC Professional Accountants in Business Committee

Plenary 10

The Closing addresses were given by:

- Ahmed Reda Chami, President of the Economic, Social and Environmental Council, Morocco
- Leonard Ambassa, Pan African Federation of Accountants Newly elected President (at 18th of June 2019)
- Issam El Maguiri, Ordre des Experts-Comptables President

In Conclusion

2019 Pan African Congress of Accountants was a historic moment for all who were present to learn, network and to help build a successful public sector for the Africa We Want.

The 6th Africa Congress of Accountants will be held in Maputo, Mozambique from 14th – 18th June, 2021.

Below are memorable pictures of Ghana participants at the Conference:

President hosts Ghanaian Delegates to a Dinner

On Friday, 21st of June 2019, the President of ICAG invited all the Ghanaian delegates to a dinner at the Hotel Palais Al Bahja. About 42 of the Ghanaian delegates attended. The Vice President Dr Attulik, Council Member, Mr. Kwabena Ntiamoah, and the CEO Mr. Kwasi Agyemang (all of ICAG) were in attendance to wine and dine with the members. It started around 7.30pm and ended around 11pm. They were treated to local Ghanaian highlife music from artistes such as Kwadwo Antwi, Amakye Dede, Kwabena Kwabena, etc. They danced a lot and had a good time. They were treated to Moroccan cuisines like coucous, tagine de poulet, khebabs, etc.

In a related development, on Saturday, 22nd of June, the Ghanaian delegates went on a tour to the Atlas Mountains. They visited waterfalls, passed the streams created by the waterfalls and saw the wide variety of fruits they have. They also visited an argan oil centre and learnt about the processes involved in producing the oil. They passed through a desert and caught the beautiful sight of camels in their habitat. They certainly didn't miss the opportunity to go to one of their famous markets- Medina Market Square for shopping.

ICAG Holds Public Lecture on Taxing the Digital Economy

Participants at the lecture

The Institute on Wednesday 26th June 2019 organised a public lecture on the theme “Taxing the digital economy: the way forward” at Kempinski Hotel in Accra from 3.00pm to 6.00pm for the members and the general public. The lead presenter, Mr Abdallah Ali-Nakyea, Managing Partner, Ali-Nakyea & Associates, stressed that owing to digitalization, the structure of businesses, platforms for conducting business and the way companies interact with the market are changing. In addition, technical platforms have also been introduced to facilitate the digitalized way of conducting business, making it possible, therefore, to conduct business from multiple places of the world at a single time—a situation which presents the difficulty of determining the specific location of a business for tax purposes.

These quarterly public lectures provide the platform for the Institute to present its views on or discuss national and key government policies. The second quarter’s event, therefore, aimed at creating public awareness on the digital economy, generate discussions on emerging trends and seek the views of experts, and practitioners from both the private and public sectors. It is expected that with optimum revenue generation from taxation, including tax from the digital economy, Ghana’s economic progress and development can be achieved without international aid.

Mr Ali-Nakyea noted that the digital economy had a huge impact on economic systems as it influenced the structure, products and general nature of the traditional economy as well as revenue mobilization— hence the current trend of worldwide discussions and efforts on how to tax it. He said unlike conventional commerce, e-commerce, as an aspect of the digital economy, does not take place in a physical market, thereby making the task of identifying the seller and buyer in those transactions for tax purposes very difficult. He explained that due to the nature of the digital economy, tax authorities faced the administrative problem of identifying businesses, determining the extent of their activities, collecting and verifying information, and identifying customers in order to ensure compliance with domestic rules and for the collection of tax.

According to Mr Ali-Nakyea, the current tax rules, which were designed to address "brick and mortar" economies, appeared inadequate in addressing the tax issues posed by the digital economy. He said as most tax avenues were dissipated through digitalization, there would be a drastic reduction in revenue mobilization. He noted that the international community was yet to reach a consensus on the most appropriate way to tax the digital economy, adding that until such a consensus was reached, states might have to adopt unilateral measures in their domestic law to address some of the challenges associated with it.

Mr Ali-Nakyea said digitalization was a phenomenon that had come to stay and was bound to grow deeper and deeper. He, therefore, called for a well-thought-out tailor-made policy and a balanced approach which should address the competing needs of both the tax administrators and taxpayers. He however cautioned that in the quest to address the tax issues that the growth of the digital economy posed, sight should not be lost of tax neutrality, adding that an approach that placed unnecessary impediments in the way of players in the digital economy would only lead to alternative innovative means of tax avoidance.

Mr Edward Gyambrah, Deputy Commissioner, Large Tax Payer Office of the Ghana Revenue Authority (GRA), called for the digitization of the operational processes and the intensification of capacity-building and investment in technology in the GRA in order to be able to effectively deal with tax collection in a digital economy. Further, he said the Fiscal Electronic Device Act, 2018 (Act 966) should be fully implemented to ensure that all business transactions were captured electronically.

Mr. Gyambrah disclosed that Ghana adopted the Common Reporting Standards (CRS) with the passage of the Standard for Automatic Exchange of Financial Accounting Information Act, 2018 (Act 967). He said in view of the adoption and passage of Act 967, Ghana was scheduled to receive its first Automatic Exchange of Financial Accounting Information (AEOI) in September 2019 and that the bank account details of residents in participating countries that GRA would receive, would greatly help to address some of the challenges of the digital economy.

Welcoming participants to the forum, Ms Sena Dake, Council Member, Institute of Chartered Accountants, Ghana (ICAG) and Chairperson for the occasion, noted that while the world today was evolving around on-line transactions, seamless and automated data processing and electronic payments systems, Ghana's economy was still dependent on taxes imposed based on the assessment of incomes from employment, business or investment for residents or non-residents who had sourced their income from the country, while leakages occurred through untaxed revenue generated from the digital economy. The aim of the lecture, therefore, she said, was to create public awareness about the challenges of taxing revenue from the digital economy; generate discussions on emerging trends and seek to the views of experts and practitioners from both the private and public sectors to address them.

Source: G.D. Zaney, Esq.

FEATURES

Dealing with Ethical Dilemmas with Confidence

by Erica Steenwijk, Policy Advisor, Netherlands Institute of Chartered Accountants and Stathis Gould, Deputy Director, Professional Accountants in Business, IFAC

Being a professional accountant requires much more than professional competence in technical matters. The actions or inactions of accountants, whether they are working in business, advisory or audit, influence decisions and actions of others and contribute to the moral bearing of organizations and societies. Accountancy, as with other professions, is in fact, a social and moral practice. For an accountant to be a trusted advisor or business partner, professional ethics is fundamental. Professional integrity should be valued for bringing credibility to decision making and safeguarding the interests of stakeholders. Doing the right thing is as important as being a technical expert. To this end, accountants in business need to be conscious of how they influence ethical business culture. Professional accountancy organizations need to think innovatively on how to support such businesses in discharging their ethical responsibilities.

The reality is that making the right call is often not straightforward. Few ethical dilemmas are black or white, and many could involve different perspectives and choices. In business, making a decision for the benefit of one group of stakeholders can sometimes be to the detriment of others' interests. Often, there are important moral considerations to take into account such as in relation to the natural environment, or how value is distributed. Accountants working in business and the public sector face a range of ethical dilemmas on a frequent basis. Recognizing and tackling dilemmas in real time is a significant part of being a professional. Consequently, it is important for the profession to provide adequate support to accountants to help them enhance their moral awareness, competence, and courage.

Recognizing that their members face ethical challenges and moral questions in their everyday work practices, The Royal Netherlands Institute of Chartered Accountants (NBA) uses a "moral InterVision model" developed by the Nyenrode Business University in Breukelen. It is an action-based approach comprising six key questions and steps that are addressed in a group setting to help accountants reflect on the ethical issues they face at work.

A framework for moral prudence

The moral InterVision model is a practical and simple framework that helps people decide what or what not to do in situations where they are required to make a moral assessment. The approach is designed to help with everyday situations, and help to apply professionalization, learning and self-improvement.

It is based on "peer supervision" which means that dialogue in a group is an important element to developing moral prudence and effectively dealing with ethical issues. Engaging with others is likely to improve one's ethical thinking by helping to view an issue from different perspectives. A professional accountancy organization could enable this approach by providing workshops or group sessions involving members or use the model as a tool to help frame a dialogue on a telephone support line.

Alternatively, an accountant in business could convene a small group of trusted colleagues to facilitate him/her in going through the steps and addressing the questions until a conclusion and decision has been reached. A group of five to eight participant peers generally works best. The role of the participants is to offer perspectives and insights into the dilemma while addressing the six questions. Doing so helps to develop different ways of thinking about the issue, alternative ways of behaving, and ultimately helps an individual come up with a decision or action.

The Six Key Steps in the Moral InterVision Model

1. What am I required to make a decision on?

This involves outlining the nature and context of the dilemma including why it is a dilemma for the individual involved. It is important to describe the dilemma from a personal perspective, detail what action the individual is considering taking, or not taking (not doing something can, in certain cases, also be considered an action), and the options they are considering and not considering.

2. Who are the stakeholders affected?

Taking stock of all the parties, individuals, and organizations involved whose rights or interests are affected by the decision.

3. What do the rules of professional practice, business or governance codes, or other binding laws and regulations say?

There are frames of reference that may be helpful in forming a judgment and decision-making, including:

- The International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards), or Code of Ethics from the IFAC member body should be a primary reference point. The five principles of the Code need to be considered as well as any specific safeguards that can be actioned. Safeguards are the actions, either individually or in combination that an accountant can take to reduce threats to compliance with the fundamental principles to an acceptable level. Not all threats can be addressed by the application of safeguards.
- The organization's code of conduct and values. Many organizations have an employee code of conduct or ethics.
- Relevant laws and regulations that need to be considered, including relevant case law, and guidance (although if an action is legal it does not necessarily mean it is morally right, hence the approach of the model is focused on making a moral assessment).
- Codes of best practice such as a corporate governance or director's code.

4. Which arguments can be made for the possible decisions and alternative courses of action?

To establish a position – to do or not do something – one needs to be able to raise arguments for it that are powerful enough to persuade others. One must also bear in mind any arguments that may be raised against the position. The point is not to neutralize such counter-arguments but rather to show that they were taken into consideration and be able to state in a conclusion how one intends to do justice to those counter-arguments. It is helpful to set out the arguments in favour and against taking a particular course of action. The Royal NBA uses Muel Kapteijn's model of Neutralization Techniques to outline common excuses to defend certain situations, which might not in fact be substantial considerations or arguments. Typical excuses or "neutralization techniques" include: distorting the facts ("it is not the truth"), negating the norm ("it is not decisive"), blaming the circumstances ("it is beyond my control"), and hiding behind oneself ("it is a lack of self-control" or "I really didn't think I was doing anything wrong at the time").

5. What is my conclusion after discussing the dilemma with my group members and answering all the questions above?

Once the arguments in favour and against have been exchanged and weighed, a clear conclusion can, and must be formulated. Specify which arguments tipped the scales.

Consider if it is possible to formulate a creative solution that does justice to as many arguments (for and against) as possible. In doing so, explore whether there would be a way to mitigate any negative consequences to certain stakeholders. The consequences should be included in the list of arguments that were judged to be less important.

6. What is my individual decision or action? Am I going to actually do it?

Finally, it is important to address the key questions, "can I live with the consequences of my decision?" and "am I going to follow through with the decision?" A final question is to consider what action you would take if the situation was in the public domain, and whether your actions might be different in a situation of public scrutiny.

A key aspect of this model is that it is culturally neutral although the ultimate decisions and actions an accountant might take can be affected by culture and social norms. This might lead to a conclusion that an ethical situation is "acceptable" despite not being morally prudent. Consequently, ethical training for accountants should explicitly consider how to deal with cultural considerations and social norms where they can inhibit accountants' ability to uphold their ethical duty.

Source: www.ifac.org/publications

Assessing Unemployment Situation in Ghana

Julius Opuni Asamoah (BSc MBA CA)

Of all the economic issues facing Ghana, none is more critical to the average citizen than the question of unemployment. Ghana has been facing a structural unemployment crisis for almost three decades, with an unemployment rate persistently rising. Although unemployment among university graduates was negligible until the mid-1990s, it has increased dramatically since then. Ghana then had only few public universities producing university graduates. Now, Ghana has countless number of universities producing more graduates for the job market. Factually, some of these graduates cannot be boastful of appreciable expertise for the job market. The standard is fast dwindling at the full glare of the authorities, however, they have remained helpless, and these graduates are currently at the mercy of massive unemployment. This unemployment menace is particularly prevalent among youths, given that majority of the jobless are under 30 years of age. The major causes that underlie the high unemployment rate among graduates are that; larger flows of graduates enter the labour market than before. This fundamental change in the profile of new entrants to the labour market was not accompanied by any significant transformation in labour demand. In general, the same sectors continue to generate employment.

Education has turned out to be a double-edged sword by raising the expectations of educated youth and fuelling their frustrations. Most educated youth choose to wait for jobs in the formal and public sectors, which offer better wages and benefits. On average, each university graduate remains unemployed for two years or more. The private sector is not able to absorb flows of new entrants. Private investment is low and most of the job opportunities it provides are for unskilled workers. Additionally, apart from a small number of large enterprises that are partly or entirely in the public sector, the majority of Ghanaian firms are small and private.

Most of them provide fewer jobs and use very basic technologies that do not require educated labour. Although medium-sized and large firms pay a 25% corporate tax (unless they are eligible for tax holidays), micro enterprises and small firms can evade taxation or pay a modest amount as they are subjected to a lump tax system. These tax distortions do not encourage small firms to grow or modernise. From a political-economy perspective, transparent and effective institutions are prerequisites for the development of mid-sized and large businesses. Bureaucratic red tape and corruption are frequently encountered by entrepreneurs. The business environment on the ground seems more constrained than what has usually been suggested by the World Bank's Doing Business Report.

To address the country's unemployment situation, the government has launched a number of programmes and policies. First, the government has used coercive and incentive-based tools to prevent layoffs. Second, the government has implemented active labour market policies. Overall, the cost of these therapies has been substantial, yet they have failed to address the real distortions.

First, the government has introduced some flexibility in labour regulations as part of its market reform agenda. In practice, however, the authorities control collective layoffs and decide to grant or refuse approval. At the same time, they offer incentives to troubled firms to prevent them from downsizing their staffs or exiting the market. The incentives have historically taken the form of subsidies to cover the debt burden and tax holidays. Although these measures can reduce job losses in the short term, they are costly and generate perverse effects in the long term because they prevent the healthy reallocation of capital and labour from unsuccessful companies and declining activities to the emerging sectors. As a result, the government's interference in the labour market impedes the process of structural economic change.

Second, the government has spent a large amount of money on ineffective labour market initiatives. Active labour market policies include wage and employment subsidies granted to employers to stimulate them to hire more employees, training and retraining programmes to increase the employability of job seekers, public works programmes, and preferential credits to promote self-employment initiatives. However, labour market policies have entailed a large number of fragmented interventions that have been too narrow and uncoordinated. The design of labour market policies has led to the dispersion of financial, human, and administrative resources.

A vibrant and flourishing private sector is a prerequisite for creating employment, enhancing productivity, and ensuring competitiveness. Job creation depends primarily on economic growth, which itself requires investment. In high-growth countries, private investment typically exceeds 25% of Gross Domestic Product (GDP), whereas in Ghana it struggles to make any strives in terms of GDP. As a result, Ghana's growth relied more on public investment, and less on private investment and human capital. Policymakers in Ghana need to pinpoint the factors that impede the dynamics of private domestic and foreign investment and implement the appropriate reforms. They must overhaul the business environment by engaging with the private sector to identify reform priorities and monitor their implementation.

In Ghana, the productive sectors need to be granted tax holidays to private businesses, to enable them recruit more people from the labour market. It is told that businesses are granted more years of tax holidays in Singapore. This enables them to recruit more people to help solve the country's unemployment situation. The government in turn gets its tax revenue from the withholding taxes from the employees' monthly salaries. Furthermore, the government should craft attractive policies which could permeate the private sector through a complex web of cross-ownership. The private sector is present not only in network industries—such as telecommunications, energy, transportation, and banking—but also in other sectors, such as education, tourism, mining, and construction materials.

The government should launch a number of critical reforms to ensure that different economic sectors are open to competition, and abolish the prevailing system of privileges, revise the investment code to streamline and rationalise economic incentives, and fight the corruption and clientelism that have been more or less accepted under our democratic dispensation.

Encouraging private-sector investment and promoting competition, Ghana needs to review its investment restrictions in all sectors of the economy and focus on facilitating the participation of private domestic and foreign investors. Despite the trade and investment liberalisation reforms, there shouldn't be limited openness to private investment in any aspect of the economy. Entry into selected sectors, such as trading activities especially retail trading, are reserved for enterprises in which Ghanaians hold a majority interest, however, the enforcement of this regulation is relaxed. For several other activities, Foreign Direct Investment (FDI) requires the prior agreement of the Ghana Investment Promotion Centre. Because of certain restrictions, Ghana has missed out on the flow of FDI and the potential gains in productivity.

Ghana should address the issue of bad loans in the banking sector and open it to competition. The weakness of the Ghanaian financial system is another handicap to growth because it raises the cost of capital and leads to inefficient resource allocation. The banking sector, in which the government maintains firm control over (the three largest public banks), continues to suffer from limited competition and excessive levels of non-performing loans.

Ghana's competition laws seem to be in line with international standards; however implementation remain an issue. The authorities need to review the incentives provided under the country's investment code and design a more effective, consistent, and transparent set of supportive measures for investment and exports. Despite this excessive cost, the fiscal and financial incentives granted under the code are ineffective in stimulating private investment.

Various regimes seem to have primarily used the system of incentives to buttress its legitimacy and strengthen its political and administrative control over the private sector. By discriminating between enterprises on the basis of their characteristics—such as size, economic sector, location, and export orientation—the investment code in Ghana has granted significant discretionary power to the bureaucracy and generated large distortions in the business environment. Thus, to overcome the structural deficit in private-sector investment, the elected government must design a new code that supports the objectives of job creation and economic diversification, and that stimulates a healthy process of regional convergence between the country's coastal and interior regions.

Policymakers must overhaul the business environment by engaging with the private sector to identify reform priorities. Policymakers need to design adequate incentives to channel resources toward selected high-value-added and knowledge-intensive sectors. There are real opportunities in agriculture, industry, and the services sector to promote an intensive use of human capital and to adapt education and training to meet demand.

The social situation in Ghana has worsened due to the proliferation of irregular and poorly paid jobs in the formal private sector as well as the rise of the informal sector as a response to the formal economy's failure to offer decent jobs. It is telling that the social unrest that erupted in Tunisia and ended with the collapse of a political regime was sparked by the public self-immolation of a youth who was not unemployed and working in the informal sector, and who was constantly harassed by the local authorities.

In conclusion, the gap between the rich and the poor has been worsening over years. The government needs to streamline tax breaks and other unjustified public transfers, improve the transparency of the tax system, crack down on tax evaders, and ensure that taxpayers contribute according to their capacity. A higher level of unemployment among youths from the poor and middle classes, the absence of redistributive tax policies, and the regressive effects of public social spending have all contributed to a higher level of inequality.

Ghana's economic outlook is perceived as an economic success, but beyond the facade, it is a severe social failure and a source of frustration for the unemployed youth. Low returns to education due to longer periods of post-graduation unemployment and a scarcity of permanent positions in both the public and private sectors have constrained social mobility and increased inequality in Ghana. The poor and middle class invest in the education of their children and reap frustration and unfulfilled dreams and expectations. The prevalence of patronage and nepotism exacerbates the issue. Unlike youths from richer backgrounds who rely on dense networks, those from unprivileged families usually end up unemployed or stuck in dead-end jobs.

Although the tax system seems fairly well designed, with a progressive income tax and a corporate tax of 25% on profits, it hides three major distortions that make the country's income distribution even more unequal. First, the government collects more indirect taxes than direct taxes. On average, only one-third of Ghana's tax revenues are from direct taxes, compared with two-thirds from indirect taxes. The burden of indirect taxes falls much more on the poor, as they usually consume their entire income. The rich can escape indirect taxes and can benefit from tax favours by saving or investing part of their income.

The Collapse of Ghana's Micro Finance Sector

By Julius Opuni Asamoah (BSc MBA CA)

Ghanaians woke up on Tuesday June 4, 2019 to hear about the collapse of 386 Micro Finance Institutions (MFIs) in Ghana. Upon directives from Bank of Ghana (BoG), these collapsed MFIs are into receivership and that the Government of Ghana (GoG) has made available over Ghc900 million to pay off the debt of 1.2 million depositors and creditors. Meanwhile, the Receiver, Mr. Eric Nana Nipah of PriceWaterhouse Coopers has emphasised that an assessment of the total debt of these MFIs shows that there is about Ghc1.1 billion to be paid.

Right from the onset, there is a brewing trouble to contend with. In furtherance to that BoG has again hinted that work is ongoing to assess the status of Rural Banks across the country as part of the financial sector clean-up exercise. Definitely, similar tsunami is awaiting the Rural Banks in Ghana. It stands to reason that BoG reneged on its responsibilities of supervising these financial institutions in Ghana. It might not mean that these crises erupted so immediately. There is greater likelihood that the crises have run over a period of time. Therefore regular and consistent supervision of BoG should have unravelled these predicament to warrant earliest solution. Leaving officials of BoG unscathed in this regard means that the challenge is not yet tackled in totality. My humble questions are simply that, "As a country, what are we doing to those whose actions and inactions have led to these messes in the banking sector"? Why should the government continue disbursing the already limited tax payers' money to pay off debts of despicable, contemptible and nefarious owners and other individuals of the entire banking sector?

However, most of these owners and other chain actors who spearheaded the affairs of the defunct financial institutions are fantastically successful in life. Others are of the view that they have kept their bounties in criminal havens and enjoying them at the expense of the tax payer, the deemed intermediaries. Some Ghanaians do argue that the owners of these MFIs have used their depositors' money to acquire land properties in undisclosed circumstances for themselves. Glaring usage of tax payers' money by GoG to bail out these MFIs do not augur well for equity and fairness. Again, this question erupts, are all these practices sustainable? Tax receipts meant for the provision of infrastructure and other social amenities for Ghanaian vulnerabilities are now misapplied and diversified, just to be used to clean-up the thievery in the banking sector. In order to reassure Ghanaians of fairness, all the culprits found in the banking sector need to be prosecuted, to enable us belief the judicial saying that "everyone is equal before the law". This is the best possible way of assuaging the anger of the tax payer.

Considering the background of micro finance banking, it is a recent banking model in Ghana. This type of banking proved successful in Bangladesh and because of the successes they recorded, several developing countries decided to copy it as a strategy to alleviate poverty. In the past decade, Ghanaians have seen an evolution in the microfinance landscape. What some entrepreneurs started off as known in the Ghanaian parlance as "susu," a simple service offering micro-loans to the unbanked population, has evolved into complex microfinance markets operated by hundreds of MFIs. Their products and service offerings aim to provide low-income people with tools to meet credit and saving needs as well as manage risk and efficiently execute transactions.

As mentioned earlier, prior to the advent of this modern microfinance banking, the traditional Ghanaian society operated the informal microfinance model whose mode of operation was based on trust, probity, accountability, transparency and understanding thrived successfully. Owing to the homogenous status of our society, which is largely regulated by customs and traditions to which all members are in tandem with, certain entrepreneurs have operated their traditional susu businesses for years. Most of them operated without any formal education and regulations from BoG but have succeeded in this business for all that long.

There were enormous challenges encountered during these periods but they overcame them due to the aforementioned traditional qualities inherent in our culture. In addition to the subsistence economic activities that were prevalent in their upbringing, these susu collectors have remained faithful and truthful to their clients till date. In addition, this informal microfinance banking practised by our forefathers and still in operation, especially in some remote parochial areas of the country, is proof that the modern microfinance banking model is an evolution and transformation of our old fashioned savings culture of susu ideology. Furthermore, this ascertains the fact that the poor who are largely neglected by big deposit money banks, also need access to financial services irrespective of their locations and environment and this is one of the driving principles of microfinance banking. This evolution is simply part of financial inclusion.

In general, microfinance in Ghana entails the provision of a full range of financial services comprising micro-credit, micro-savings and fund transfer among low-income clients, including consumers and the self-employed, who traditionally lack access to commercial banks and related financial services, to help them grow their micro-enterprises or engage in other productive economic activities. It must be noted here that the concept of microfinance banking had been in our traditional society for a long time before the advent of this modern microfinance banking. This micro finance has existed as community savings schemes. These schemes were geared towards the provision of financial services to members to help them solve their immediate financial needs. Although, modern microfinance banking has improved tremendously in its operations, methodology, dimension and scope, there are however various challenges militating against the benefits, growth and development of this financial institution model in recent times.

Certain operators of some micro finance businesses lure a lot of people into their fold as clients and after mobilising more savings from them, they fold up and abscond with the depositors' money. This continuous exodus of MFIs from their places of operations have brought extreme poverty and deprivation to certain localities and this has resulted to unemployment and other social vices such as militancy and lawlessness. However, the successful operations of most MFIs greet its clients with joy as loans availed to them (traders, artisans, low income earners, jobless youth) to begin and expand their trades raise their standards of living. Some MFIs provide other capital assets to its clients to boost economic activities within their catchment areas. These include the acquisition of taxis and *trotro* vehicles to drivers and other clients on work and pay basis. All these form part of the government's policy of full financial inclusion.

Financial inclusion refers to the delivery of financial services at affordable costs to sections of disadvantaged and low-income segments of society, in contrast to financial exclusion where those services are not available or affordable. A lot of the working-age adults in Ghana have no access to the type of formal financial services delivered by regulated financial institutions. It is argued that as banking services are in the nature of public good, the availability of banking and payment services to the entire population without discrimination is the prime objective of the government's financial inclusion policy. The term financial inclusion has gained importance since the proliferation of MFIs. They have made access to banking at a reasonable cost for all households to a full range of financial services, including savings or deposit services, credits, payments and transfer services.

Former United Nations Secretary-General Kofi Annan said in 2003 that: "The stark reality is that most poor people in the world still lack access to sustainable financial services, whether it is savings, credit or insurance. The great challenge before us is to address the constraints that exclude people from full participation in the financial sector. Together, we can and must build inclusive financial sectors that help people improve their lives." Recently, Mr. Alfred Hannig, the Executive Director of Alliance for Financial Inclusion highlighted on the progress in financial inclusion during the IMF - World Bank 2013 Spring Meetings that: "Financial inclusion is no longer a fringe subject. It is now recognised as an important part of the mainstream thinking on economic development based on country leadership".

Micro finance is aimed at ensuring that the large chunk of funds exchanged outside the banking system is captured through deposit mobilisation strategy. In doing this, inflation targeting and other monetary policies of BoG could be felt at the grassroots among others. To this end, MFIs help in the facilitation of financial inclusion. Microfinance banking is a vital strategy of the government for poverty reduction in Ghana and this sector has been facing numerous challenges. These challenges had made it difficult for the general public to benefit from the potentials of these MFIs.

Clients of MFIs are typically from the informal sector, which is marked by acute decent work deficits. Most people engaged in this informal sector are exposed to inadequate and unsafe working conditions, and have high illiteracy levels, low skill levels and inadequate training opportunities, have less certain, less regular and lower incomes than those in the formal sector, suffer longer working hours, an absence of collective bargaining and representation rights and, often, an ambiguous or disguised employment status, and are physically and financially more vulnerable because work in the informal sector is either excluded from, or effectively beyond the reach of social security schemes and safety and health, maternity and other labour protection legislation. The results indicate that an MFI is important for the society but there are some challenges faced by these MFIs in Ghana.

These challenges include inadequate funding, insufficient support from government, improper regulations and also other challenges including lack of standardised reporting, huge non-performing assets and minimal performance monitoring system from BoG. Focus on the challenges and opportunities facing microfinance sector indicate that numerous challenges are ahead of microfinance sector including improper regulations, increasing competition, innovative and diversified products, profitability, stability and limited management capacity of MFIs. On the other hand, the rapid increase in poverty in Ghana, along with other opportunities, is paving way for the growth of this sector and offering a huge market potential for microfinance. On the other hand it is found out that the major challenges of MFIs in Ghana are communication gaps and inadequate awareness; insufficient support from government; inadequate donor funding; less attention on financial sustainability of MFIs; lack of adequate loan or equity capital to increase loanable funds; high turnover of MFI staff; limited support for human and institutional capacity building; and lack of standardised reporting and performance monitoring system for MFIs.

In conclusion, it must be noted that MFIs in Ghana just like any other business organisation is faced with too many challenges ranging from insufficient capital, inadequate human capital and regulatory bottlenecks among others. These challenges militate against the growth and expansion of this banking sub-sector. MFI with sound management team, good corporate governance practices and adequate mix has been able to achieve its set goals and objective which in turn explains the relevance of this vital concept of managing MFIs. In view of the foregoing, it is pertinent to say that in spite of the challenges facing MFIs in Ghana, the sub-sector can grow, develop and drive the financial inclusion policy of BoG. Also, it can help to alleviate poverty within the country, foster entrepreneurship development through provision of loans and other short term capital to the active poor living in urban and rural areas of the country, thereby enhancing generation of employment opportunities in Ghana.

The possible ways to reduce the challenges of MFIs are effective communication, adequate awareness and to get full support from the government. Although, the MFI model is a new innovation introduced, therefore it requires a longer time for its potentials to be fully maximised, because, it is undergoing a challenging and trying period. To address these issues, efforts should be made by promoters, regulators, practitioners and all stakeholders in this banking sub-sector to minimise their challenges as these could ensure the survival and sustainability of this vital sector of the Ghanaian economy. Note, continuity of this sector will help alleviate poverty and foster economic development because greater percentage of Ghanaians are rural dwellers largely engaged in subsistence agriculture and other menial activities for sustenance.

In the light of the above, if challenges facing MFIs get minimised, employment generation would be enhanced and poverty reduction will be actualised as well as control of social vices would also be realised. Challenges facing MFIs in Ghana are clarion call to the ingenuity of all stakeholders to do their best in order to ensure their financial and self-sustainability in this sub-sector. This is because no economy can grow, develop and achieve the Millennium Development Goals (MDGs) without adequately empowering its citizens especially the women and youth as well as transforming the rural areas. Nevertheless, a good microfinance banking system enhances financial inclusion which in turn aid inflation targeting, monitor supply and demand control measures within the economy.

Conversely, it is sad to note here that greater percentages of money in circulation in Ghana are outside the banking system which does not promote good monetary supply and demand mechanism. To address the above scenario, a sound, good and vibrant microfinance banking sub-sector highly supervised and regulated is the answer as no economy will develop properly without adequate monetary control measures.

To enable MFIs in Ghana take advantage of the enormous potentials of the market, the following suggestions are put forward to mitigate the challenges they face: There should be good corporate governance practices in all the MFIs in Ghana as this will enhance their strategic direction. Capacity building should be taken seriously to enhance bridge knowledge gap inherent in this sub-sector. Stringent penalties should be given to erring banks to deter others from doing same. To fully curtail future occurrences of man-made crises in Ghana’s banking sector, all BoG officials whose connivance and abetment contributed to all the financial scandals in the banking sector should equally be penalised.

Effects of Foreign Currency Trading on Economic Development

By Julius Opuni Asamoah (BSc MBA CA)

In the modern economic times the foreign currency trade is a common site all over the world. There are hundreds of currency dealers trading in dollars, pounds, yen, euro, and many other currencies all around the world. In Ghana, it is also a common site, Bank of Ghana issues licenses of different categories of currency dealership to forex bureau operators. These dealers perform as a currency trader but it is also told that some of them deal in illegal remittances as well. The currency trading does have a special impact on the economy that is the opening of an extra window for trading a conservative and closed item. About 40 years back people could hardly even think about the concept that foreign currency would one day sell in shops. Let's consider the factors that could create positive impact of opening the currency market on economic development, and its attendant negative impact on the relationship between business and the economy.

The impact of foreign currency trading has wide magnitude. Currency trading is affected by several factors such as the real exchange rate and the level of output. Economists are doing research to find out the relationship between these two variables i.e. (real exchange rate and level of output) because currency devaluation is the most used tool in flourishing the economy of any country. When there is currency devaluation or depreciation the price of imports increases as compared to the prices of export and this results in the improvement of the trade balance and hence a positive relationship with a country's foreign exchange earnings.

Economic growth of a country can improve by increasing its number of export. It also becomes the source of increase in earnings of a country as reflected in foreign currency. Export demand for products of any country depends upon several factors. Those factors include price of its products, quality of its products and economic conditions of importing country. An old-time view favours devaluation as it increases its ability to intensify competitiveness and exports value of the country's products. It increases demand for domestic products and thus increases the production of goods which can be traded in the domestic and foreign market. It has also been noticed that devaluation has other implications as it frequently decreases the output of any country and ultimately becomes the source of starting recession in that country. Imports have always added value as it increases well-being of people of a country but it may affect the domestic output adversely. It also has negative effect on foreign exchange reserves of the country. Any change in imports prices will also affect the exchange rates.

In the developing countries like Ghana, the exchange rate plays its role as it solves some of the important problems that are faced by the economy of our country such as the volatility in exchange rates, unbalanced financial circumstances, frustration of government, and also to have control over domestic money market. Exchange rate shows how much unit of one nation's currency can be purchased with one unit of a foreign currency. More precisely, exchange rate is a conversion factor that determines rate of change of currencies. While exchange rates volatility shows that the determination of any exchange rate is settled on demand and supply of one nation's currency, it may turn out fastest moving the price of currency and bring foreign capital into the economy.

Exchange rate volatility can affect the policy maker decision as well as it has some influence on the volume of exports and imports. Whenever there is a significant difference between the actual and the expected value of the exchange rate, it is more likely for traders to take advantage of it. However, there are some traders and investors that like the volatile nature of exchange rate because it results in the maximisation of their earnings. Exchange rate volatility has gained a remarkable output in the international trade because of the two reasons. Firstly, it improves the balance of payment as the volume of export increases and secondly, the asset market gets diversified. It is considered as one of the macroeconomic variables as it has major role in domestic and foreign currencies.

Economists have come to this conclusion that there exists a relationship between these variables. Exchange rate volatility appreciates positively with exports, manufacturing goods, money reserves and affects negatively on imports and at the same time depreciation of exchange rate will have vice versa reaction. Theoretically, if depreciation of Ghana cedi exists (GH₵/US$ increase in value), then this will raise competitiveness of the domestic goods and hence encourage exports. By the same way, appreciation of the GH₵ is expected to reduce imports and to improve trade balance. The effect of currency trading on Gross Domestic Production in comparison with trade has been estimated. That analysis was carried out under the assumption that the unique effect that currency trading has on growth is via promoting international trade flows.

Keeping in view the fact of adoption of volatile exchange rates in the developing countries such as Ghana, does have effect on imports, exports, reserves and manufacturing goods. Exchange rate volatility has negative impact on two different variables such as imports and exports. Importers and exporters can face problems due to flexibility in the exchange rate. Negative relationship exists between exchange rate and imports and exports in both the long run and the short run. The relationship between the exchange rate volatility and the trade can be positive only in one situation if there is accurate fabrication of the model otherwise it will not have the positive impact. There is a positive relationship between volatility returns in the stock market and the volatility of the foreign market. With reference to Ghana's situation, over the years it is concluded that there is a positive relationship in both the long and the short run between real money balances, real income, inflation rate, foreign interest rate and real effective exchange rate.

Estimated results indicate that in the long run real income, inflation rate, foreign interest rate and real effective exchange rate have a significant impact on real money balances in Ghana's economy. It is suggested that exchange rate depreciation stimulates and increases exports and decreases imports, while exchange rate appreciation would result in the vice versa situation as it decreases the exports and increases the imports. It is found that increase in exchange rate volatility has a negative impact on the level of investment as it results in reductions in the level of investment. Exchange rate volatility has certainly played a role in reducing level of exports in developing countries such as Ghana. The impact of exchange rate volatility can be examined on macroeconomic variables using data on the country's economic fundamentals. An increase in domestic reserve money may reduce the country's international reserves and decrease economic growth.

Moreover, manufacturing sector and economic growth have positive relationship with each other. The overall conclusion is that exchange rate volatility, reserve money and exports have long-run positive relationship with economic growth, but the statistical value of exports, and imports are insignificant. Notwithstanding, in the short run, exports, imports, manufacturing production, exchange rate volatility, economic growth and reserve money in various regressions have positive or negative relationship to economic growth. The explanatory variables are insignificant except imports in the short-run. From this conclusion, we can find that domestic economic performance is very sensitive to the change in exchange rate volatility in the long-run period.

In Ghana, the exchange rate has gained a lot of importance ever since. There has been the acceptance of the floating exchange rate patterns. Economic growth of a country can improve by increasing its number of exports. It also becomes the source of increase in earnings of a country as reflected in foreign currency. Export demand for products of any country depends upon several factors. Those factors include price of its products, quality of its products and economic conditions of importing country. An old time view favours devaluation as it increases its ability to increase competitiveness and exports value of that country's products. It increases demand for domestic products and thus increases the production of goods which can be traded in the domestic and foreign markets. It has also been noticed that devaluation has other implications also as it frequently decreases the output of any country and ultimately becomes the source of starting recession in that country. Imports have always added value as it increases well-being of people of a country but it may affect the domestic output adversely. It also has negative effect on foreign exchange reserves of the country. Any change in import prices will also affect the exchange rates.

In conclusion, there are several relationships between foreign exchange trading and economic development. Aside the economic variables, like inflation and interest rate of borrowing and lending that are meant to keep growth in future aspects and make valuable foreign currency trading, the examination of available variables analysed have shown varied results of growing factors of foreign currency trading.

Particularly, the important consideration of exchange rate plays vital role in depreciation or appreciation of the currency, almost the sustainable GDP growth rate is directly affected by foreign deposits. Likewise, understanding Bank of Ghana's policies and regulations of investment are meant to be for growth in foreign currency deposits. There are certain economic fundamentals circulating around the foreign currency trading. These fundamentals include interest rate, differentials of inflation, current account deficits and public debts. They are the extension of sustainable economic development through analysis of these factors including foreign direct investment.

Inflation rate is exhibited by consistent lowering currency rate caused to high exchange rate of foreign currency. In the meanwhile, we can say that inflation, interest rate and exchange rates are highly correlated with currency trading. By manipulating such factors, inflation and exchange rates are influenced by the policies of Bank of Ghana. Moreover the conclusive statement of defining the valuation of foreign currency trading needs high attention from capital formation, determinants of inflation rate and proper utilisation of supply of money in the Ghanaian economy. The growth rate of GDP is essential factor for both economic development and foreign currency trading.

Technology Corner

Open-source Software Vs. Proprietary Software

Have you ever found yourself staring at the computer screen real intently reading the words "please enter product key"? It probably needs a license for the continuation of the game. This article highlights the differences between open-source software and proprietary software.

Fact
In 2009, the US White House switched its CMS system from a proprietary system to Drupal open-source CMS.

Open-source software (OSS) is a computer software that is available free of cost. It can be modified by anyone at any time. It comes with certain conditions, i.e., if a developer modifies the code, he has to share the updated version of the software openly. He is not the proprietor of the software, which is still retained by the original author according to copyright laws. It is the most prominent example of open-source development, and often compared to user-generated content or open-content movements. A report by the Standish Group (from 2008) states that the acceptance of open-source software resulted in $60 billion in savings.

Proprietary software or closed-source software requires a fee to activate the license of the given software. Complementary terms include shareware, freeware, and commercial software. Some free software packages are also simultaneously available under proprietary terms. Proprietary software is activated via clickwrap licensing or shrinkwrap licensing. Clickwrap licensing indicates that you agreed to a set of terms and conditions before installing the software. Shrinkwrap licensing is a contract in which the buyer accepts the terms of the software by opening its shrinkwrapped package. Examples include *MySQL*, *Sendmail*, and *ssh (Secure Shell)*.

Open-source Software

Open-source Initiative (OSI) was established in 1998 by Eric Raymond and Bruce Perens. They are the premier advocates of open-source software. It is a general-type of software that makes the source code available to the public for study, modification, and distribution. This is an advantage of open-source software, although it forbids this in principle to ensure the access of the major software updates by the developers. Developers have used the alternative terms *Free/open-source Software (FOSS)* or *Free/Libre/open-source Software (FLOSS)* consequently, to describe open-source software which is also free software. Examples of open-source products are the Apache HTTP Server, Internet browsers Mozilla Firefox and Google Chrome, and the full office suite LibreOffice.

The industries interested in investing in open-source software are cloud and virtualization, content management, mobile technology, and security. Over the next few years, government, education, and healthcare are expected to be the three industries experiencing the most impact from open-source software.

Advantages

- The main advantage is that it's available free of cost. Businesses can use this to their advantage.
- All the major fixes to the software are solved by experts who distribute the relative code via patches.
- OSS reduces the cost of marketing and logistics.
- Modular systems allow the interface to be updated or add new tools to it.
- Open-source software is used as a key enabler for cloud computing.
- It does not adhere to commercial pressure, as that reduces the quality of the software.
- A study of the Linux code revealed 0.17 bugs per 1,000 lines of code, compared to proprietary software which scores 20 - 30 bugs per 1,000 lines.
- One can download different customized versions of the same software.

Disadvantages

- Not all OSS initiatives are successful; for example, *Eazel* and *SourceXchange.*
- Key programmers quit coding and move on to better paying establishments.
- Unlike proprietary software, you won't find the answers so easily on a public forum.
- Documentation for end-users is done poorly.
- Customer support, comparatively, isn't available as promptly for users

Proprietary Software

Proprietary software or closed-source software grants a license to use the software under certain conditions, and is restricted from studying, modifying, or sharing. Examples of proprietary software include Windows, Apple, Adobe Flash Player, Google Earth, and some versions of UNIX. The end result is that the user doesn't buy the software, but the right to use the software. Source code is not available for users to protect the programs from malicious hackers, as it is considered to be a trade secret among the manufacturers. The fees from sales and licensing of commercial software are the primary source of income for companies that sell these software.

Reference Source License (Ms-RSL) and *Limited Public License (Ms-LPL)* are proprietary software licenses where the source code is made available. Free software that depends on proprietary software is considered 'trapped' by the *Free Software Foundation*. In India, one and a half million laptops were pre-loaded with screen savers of a minister. The author of the software included a malicious feature that would 'crash' the device if the laptop owner attempted to change, remove, or modify this.

Complementary terms include shareware, freeware, and commercial software. Commercial software, or sometimes *payware*, is computer software that is produced for sale or that serves commercial purposes. Commercial packages can be proprietary software or free/open-source software. Microsoft Corporation uses 'commercial software' to describe their business model, but is also mostly proprietary. Proprietary software that comes for no cost is called *freeware*. Proprietary software may also have licensing terms that limit the usage of that software to a specific set of hardware. Apple has such a licensing model for Mac OS X, an operating system which is limited to Apple hardware.

Advantages

- It is packaged and distributed in a comprehensive and modular format.
- The software offers a stable system support if it fails or malfunctions.
- The software is safe and guaranteed to be safe from dubious threats like programming bugs and viruses, thus providing ease of mind for the user.
- It is easier to install and use, as the production is planned and extensive research is carried out to ensure users purchase only the best.
- Furthermore, free updates and latest information on the software are usually provided to the user.

Disadvantages

- It is usually costly, and has closed standards that hinder further development.
- With proprietary software, you are reliant on the program's developer for all updates, support, and fixes. Updates may be slow in coming, depending on the size of the development team, and it may take some time to address security holes or other problems.
- In addition, if the primary developer goes out of business, you may have no further updates or support, unless another company buys out the project.
- Proprietary software systems rely on the development team for identifying problems, or worse, security loopholes discovered in the wild.
- Some proprietary developers notoriously rely on 'security through obscurity', attempting to quash information about security weaknesses in order to prevent outsiders from utilizing them.
- What you see is what you get with a proprietary software package; you simply license it as it is.
- Any improvements would usually require fees, which is often expensive.
- Users are not allowed to describe and share the software as that are licensed.

WHY DO PEOPLE PREFER USING THE OPEN-SOURCE SOFTWARE TO PROPRIETARY SOFTWARE.

1. **CONTROL**
   Many people prefer open source software because they have more control over it. They are able to examine the code to make sure it's not doing anything they have not instructed for it to do.
2. **TRAINING**
   More people like the open source software because it helps them become better programmers. Since open source software is publicly accessible, students can easily study it as they learn to make better soft wares.
3. **SECURITY**

Some people prefer the open source software because they consider it more secure and stable than proprietary software. Since it is available for anybody to view it is easy to identify errors or mistakes that a programmer might not have identified.

4. **STABILITY**

Many users prefer open source software to proprietary software for important and long term project.

When deciding between open-source software vs. proprietary software, it is critical to consider the risks and assess the internal and external limits of the organization. The aforementioned issues can then be used as a guide to make a collective, informed decision.

Source:[www.buzzle.com;](http://www.buzzle.com) www.opensource.com

You and your health

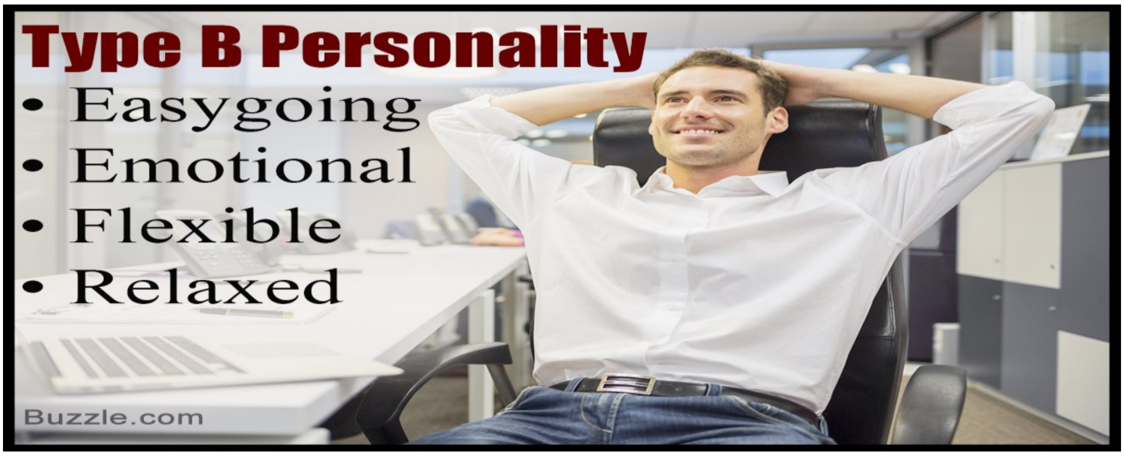
The common behavioural personality traits and possibility of contracting a heart diseases

Type A and type B personality theory was proposed in the 1950s when studies were carried out to identify behaviour pattern that could, possibly, lead to heart diseases. Although there have been several researches undertaken on the typology of personalities, one cannot forget the contributions of Carl Jung, whose theories gave rise to the idea of psychological types of personality. People are classified into personality types A, B, C, and D. One of the negative aspects of this theory is that the characteristics mentioned for personality types A and B are often limited to middle-aged people. They are also very broadly classified, and hence, may not be applicable in all cases. Also note that there has been no direct link between personality type and heart diseases. But, studies definitely prove that showing characteristic traits of certain personality type may have a negative effect on your overall health and also increase your chances of developing any physical or mental illness. For e.g., being constantly nervous, anxious, stressed or high strung can be detrimental to your health.

Personality tests are undertaken as a part of employee selection process. This is because it is believed that people belonging to certain personality types are more suited to specific fields like marketing, sales, management, administration, etc. The personality type theory is based on the behavioural pattern portrayed by an individual. Personality types classify people broadly according to their behavioural traits, attitudes, preferences, way of life, etc. According to one of these personality theories, people are broadly classified into type A and type B personality. Individuals belonging to type A and B personality are completely opposite to each other. In order to understand the traits of a particular personality type, it is essential to have brief information about the other.

Knowing your personality type will help you know whether you are at a risk of suffering from coronary heart disease or not. People belonging to the B type personality can deal with stress, usually do not suffer from anxiety, and hence, are not at the risk of suffering from heart diseases. It is essential to note here that the comparisons between personality types A and B are simply made for better understanding. It

is in no way intended to prove that one is better
than the other.



People belonging to personality type B are best described as being relaxed and easy-going. They are not stubborn, and adapt according to situations. Studying the traits of type B, in contrast to type A, will help in better understanding of the subject.

Understanding Type B Personality

One of the major traits of type B personality is that these people do not get irritated or angry easily. They are laid back and relaxed. They rarely tend to be aggressive or frustrated. They are very calm as compared to their highly strung counterparts (type A). They are very patient and usually have a lot of self-control.

They are not obsessively competitive. Their competitiveness is often productive. These people tend to be productive under stress. People of B type personality tend to plan things in advance before executing them. They rarely complain or fret. They do not obsessively wish to lead the group or be in control of all the situations. They can easily face things and situations as they come.

People belonging to type B personality are very much tolerant and flexible. They can comfortably adapt to situations and changes. They may even let go of their habits, routine much easily than their counterparts. They do not mind waiting in a line or waiting to get their work done. They do not suffer from anxiety or extreme temper in these cases.

They are social and love to be part of a large group. As they are fun loving, people love being in their company. They are emotional, tend to express their feelings and are not indifferent towards others. They usually have a good social life. Relaxation, enjoyment, fun comes very naturally to them. They spend their free time socializing, shopping or having a good time.

People of type A personality often wish they were working rather than spending their time in leisure; but, the type B individuals are just the opposite. People with B type personality have controlled eating habits and lifestyle. They usually do not have any obsessive compulsive habits.

On the other hand, people belonging to this type may also be criticized for not following time schedule. They often tend to procrastinate things and do their work at the last moment. Even then, they do not get stressed.

Due to their excessively relaxed attitude, these people are also, sometimes, criticized for being too casual in their approach. Secondly, they may even be overly emotional and lack the ability to take decisions.

The traits mentioned above broadly describe the type B personality traits. They will help in knowing whether you belong to this personality type or not. However, for more detailed and personalized result, you can consult a counsellor or a psychologist and undertake a personality test.

Understanding the Major Traits of a Type A Personality

Type A and B are two contrasting personality types. Being workaholic, serious, and aggressive are some of the prominent type A personality traits. You must have heard about the type A and B personality theory (first published in the 1950s). Personality type can be defined as the classification of individuals on the basis of their behaviour pattern.

Type A Personality

A light-hearted, but, apt description of type A personality is that these people are perfectly performing machines. Their typical personality traits are aggression and impatience. They tend to get upset over little things and cannot tolerate undone job, chaos, and loud noise. They also have a characteristic short temper, and can be, at times, blunt and rude. They are workaholics and often live a stressful life. They are self-driven and motivated towards their goals.

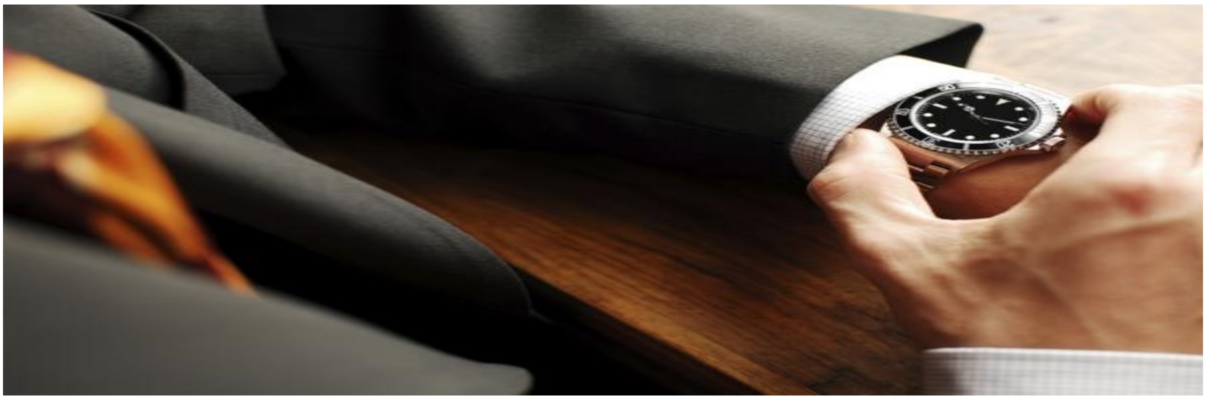
Personality Traits Checklist

If you observe the following traits, there are chances that you belong to the type A personality; Ambitious, Aggressive, Competitive, Direct, Efficient, Hostile, Impatient, Perfectionist, Persistent, Workaholic

Traits of Type A Personality Explained in Detail

People belonging to personality type A can be easily identified. Their nature is exactly opposite to people with personality type B. Following are the characteristics of these people with respect to timeliness, relationships, finances, emotions, etc.

TIMELINESS



Punctuality is extremely important to these people; they hate lateness. There are some extreme types, who utterly abhor people who work or even speak slowly. They follow a rigid schedule, set their own deadlines in all their activities, and strive hard to meet them. For them being late for any work or appointment is a crime. They become restless and irritable if they have to wait in any sort of line or are held up in chaos.

Finances

Money is another important issue for them as it represents security and power. They tend to base their relationships on money, spend money to show affection, and always think in monetary terms. Everything related to money, cost, finances, gains, saving, spending, etc., is important to type A people.

Relationships

Partners of type A personality usually have to accept the fact that work is more important to them than relationships. These people have really high standards, and hence, have a difficulty in finding a partner who can match their high standards. Their whims and superiority complex usually isolates them from the society. Moreover, they find hard to relax, are introverts, and more often than not, enjoy working alone rather than socializing.

Emotions

These people are incapable of expressing emotions. According to them, showing emotions of any kind is a sign of weakness. They also think that emotionality is an obstacle that will prevent them from reaching the goal. They are extremely rigid and never show inclination towards change.

Physical Features

Sometimes, you can make out a type A person from his physical features. Physical characteristics usually include having a serious or grave expression, tight lips, clenched jaw, agitated look, etc. They usually have dark circles under their eyes due to over stress and lack of sleep.

Type A Personality and Heart Diseases

As type A personalities are workaholics, they tend to be successful in life. They can perform well in any career that requires competitiveness. But, they are highly prone to heart diseases, because of being constantly under stress. They are self-critical, and have high standards for themselves and others. They constantly experience excess anxiety & stress. Similarly, it is not in their nature to relax or work at a leisurely pace, and hence, they are believed to be at high risk of hypertension.

* Note that the traits mentioned here are merely for illustrative purposes. Not all people belonging to this personality type may show all the aforementioned traits.

What You Can Do

If you have been identified as type A personality, you can follow the following methods to prevent the aforementioned health effects.

Try to relax and slow down a bit. Extreme competitiveness can be avoided as it always leads to stress. Give equal time to your family, relationships, and social life. Working and thinking about work constantly will never help you relax. Try to delegate less important work to someone. You need not do everything on your own and get stressed about being overworked.

Try easy relaxation techniques like pursuing a hobby, watching a funny movie, spending time with people you love, going on a vacation, etc.

Lastly, share your thoughts and views with your trusted ones. This is one of the most effective ways to get over anxiety. You can undertake a personality test to find out whether you belong to this personality type or not. Lastly, you should note that being type A personality is not abnormal, but, you need to keep a check on the stress level to avoid further health problems.

Remember that although the personality type A and type B theory is one of the most popular theories in psychology, it cannot be taken as a fool proof basis to determine whether you suffer from heart diseases or not. Belonging to a particular personality type is not the only reason to induce or avoid heart diseases. Take care!

Source: www.psychologenie.com

Technical Matters

Regulated and Unregulated Investment Schemes: A Threat to Confidence in Financial Institutions.

Benjamin Amoah, Ph.D

1.0 Introduction

In an effective financial market funds flow from deficit units to surplus units. These surplus units require a compensation for deferring their consumption for the deficit units to have access to these funds. The unseen mechanism that makes it possible for the surplus units to transact with the deficit unit on the financial market is **trust or confidence**. This confidence or trust in the financial system is built on the expectation that the rights of market participants will be enshrined in financial contracts. Well-functioning financial market promotes economic efficiency by ensuring efficient allocation of capital to increases production. The reality is that, confidence in the financial market is interwoven in information asymmetry, in that in every transaction on this market, information is not equal among parties. In all instances deficit units have more information about the purpose and usage of mobilized funds than surplus units. This unequal information creates the opportunity for surplus units to be defrauded by some unscrupulous licensed and unlicensed financial institutions.

This paper uses data from desk review to discuss fraudulent investment schemes (FIS) and unregulated investment schemes (UIS) on the financial market. Also in this write up is the distinction between regulated and unregulated investment schemes and its associated financial products namely Ponzi schemes, Pyramid Schemes and Multilayer marketing, The paper does not aim to teach readers how to defraud investors through the establishment of these schemes, it rather analyses the effects of these schemes to equip readers with defensive mechanisms to avoid falling prey to these fraudulent schemes. Recommendations on how financial markets can prevent these fraudsters are also provided.

1.1 Why Regulate Financial markets

Investors on the financial markets is hinged on confidence in the financial system which invariably rests on regulation. Regulation is an interference in the operations of the free market and aims at preventing market failure. The regulatory role is assigned to government who also delegates this responsibility to a specialized agency or unit within the economy. Fabozzi, Modigliani and Jones (2013) has discussed the purpose of financial market regulation to include:

Preventing issuers of financial securities from defrauding investors, some financial institutions may sell financial securities to the investment public with the sole aim of taking advantage of investors, the complex nature of modern financial markets blurs the activities of such institutions which give them the opportunity to swindle unsuspecting investors through the introduction of complex financial products which are difficult to understand by the average investor.

For full disclosure of relevant information on the part of the issuers to the investing public, enables investors to make informed decisions. During Initial Public Offering (IPOs), companies desiring to list on an exchange such as the Ghana Stock Exchange (GSE) are required to issue prospectus to the investing public, the information in this document is to inform prospective investors about the issuer, the purpose and the risk embedded in the offer. Also financial institutions are mandated to publish annual financial report to inform stakeholders about the affairs of the institution, the fact behind the figures requirements for listed entities on the GSE is also an example of disclosure requirement. In extreme and unusual situations where companies refuse to disclose, the regulator will instruct a regulated entity to disclose information to the public. This is one means of managing the information asymmetry problem that besets surplus units with the economy.

To promote competition and fairness in trading; the financial market is regulated to create a level ground for competition to take place, trading activities conducted on the market should be done according to laid down rules and regulations. In some instances merging and acquisition activities are monitored to control the propensity of some institutions from acquiring monopoly status which would expose other market participants to unfair market practices from monopolies.

The Competitions and Market Authority (CMA) of the UK is one of such bodies to regulate companies' external growth strategies.

To ensure the stability of financial institutions; regulation provides the needed framework which prescribes and sanctions activities that can be undertaken and not be undertaken by the financial institution. This set of regulation is such that financial institutions do not engage in activities that overly expose them in their quest to generate return to clients and shareholders.

Regulating foreign participants on the financial market to ensure that the financial market is not influenced to a large extent by the buying and selling activities of the foreign participants. In Ghana the Securities and Exchange Commission (SEC) is the body set up by the government to regulate the securities market. The Ghana Stock Exchange regulation is clear that no single Non-Resident Foreign investor or entity should own more that 10 percent of equity or total Non-Resident Foreign investors' stake in listed company should not exceed 74 percent.

In the pursuant of monetary policy, monetary authorities regulate the activities of banks to control the amount of money supply in the economy. This regulatory measure is used to control the level of economic activity. By embarking on monetary policies that control lending abilities of banks, desired monetary policy objectives are achieved. The conduit for the monetary policies used by the monetary authorities in controlling the level of economic activities is the bank.

In Ghana the regulatory bodies relating to the depository and non-depository financial institution are presented in Table 1.

Table 1: Financial sector regulatory institutions in Ghana.

Financial Sector	Regulator
Banks and Savings and Loans Association	Bank of Ghana (BoG)
Pension Funds	National Pension Regulatory Authority (NPRA)
Credit Unions	Credit Union Association (CUA)
Insurance Companies	National Insurance Commission (NIC)
Securities Market	Securities and Exchange Commission(SEC)
Rural Banks	ARB Apex Bank
Micro Finance Institutions	Bank of Ghana (BoG)

From Table 1, there are six (6) regulatory bodies in charge of the financial market of Ghana as at May 2019. The deposit taking financial institutions industry is regulated by the Bank of Ghana, ARB Apex Bank and the Ghana Credit Union Association (CUA). The non-depository institutions are regulated by bodies such as the National Pension Regulatory Authority, National Insurance Commission and the Securities and Exchange Commission. There are current calls that these regulatory bodies are merged into a two tier regulatory structure; a Monetary Authority in charge of monetary policy and a Financial Services Authority in charge of all areas of financial services industry.

1.2 What are regulated and unregulated Investment Schemes

Investment fraud is all types of actions taken by licensed and unlicensed financial institutions aimed at obtaining financial gain from investors based on deception, through the issuance of financial investment products. Fraudulent Investment Schemes (FIS) are investment products where returns do not exist but are presented as true to meet the return needs of investors. These schemes have false reporting basis, fraudulent audit reports and operate with a clear intention of not opening up to the regulator.

FIS can be operated by licensed entities, they operate within the formal sector of the economy, and their presence indicates a weak regulatory and low financial literacy environment. The products sold to investors are purely financial instruments which are unapproved by the regulator. The scheme is an FIS if it is operated by a licensed financial institution. Some start as genuine business with all requisite permits, however due to competition and the need to survive, they developed FISs. Some licensed institutions also introduce FIS as part of their array of products available to investors. Others are purposely set up to defraud unsuspecting investors. In Ghana DKM Diamond microfinance and the $ 50 billion Ponzi scheme of Bernie Mardoff Ponzi Scheme in US are typical examples of FIS. In these examples the institutions were licensed by the respective regulators, however the products they offered to the public were not approved.

Unregulated Investment Schemes (UIS) are unlicensed entities that issue financial instruments and other products that operate with all the features of a financial instrument to the public, and they exploit prospects in the informal sector of the economy. UIS are not under any regulatory authority, they exist by themselves and conduct their business without any supervision. Their existence and proliferation is a reflection of low financial literacy, low personal financial management skills and a weak regulatory regime. The systemic Ponzi scheme manifestations in Albania in 1996 -1997 and its consequential violence that led to the loss of presidential election for the sitting president, violence and loss of lives is a clear results of UIS. The case of Pyram, Resource 5,000 (R5) Menzgold dealership and Wealth Drive Group in Ghana are examples of UIS.

Figure 1. Some notable Fraudulent Investment Schemes that had rocked the Financial Market in Ghana

1.3 Manifestation of Fraudulent Investment Schemes

Ponzi scheme is named after the 1920's swindler Charles Ponzi an Italian who used postage stamp as a means to dupe a lot of investors in the US. Before his scheme there has been fraudulent investment cases in the like of Ponzi, the 1719 case of Scotsman, John Law, in

France and the South Sea Bubble in Britain in 1720 predates Charles Ponzi. According to Frankel (2009, p. 2) a Ponzi scheme is where a con artist offers obligations that promise very high returns at seemingly a very low risk from a business that does not in fact exist or a secret idea that does not work out. From Zuckoff (2006) Ponzi scheme is basically a scheme of "Robbing Peter to Pay Paul".

In this scheme, claims of underlying investments are bogus; very few, if any, actual physical assets or financial investments exist. The promised guaranteed high returns to earlier investors is from the money handed over by later investors or larger deposit from even a single investor. In Ponzi schemes it is the amount invested that matters not number of investors as in the case of Pyramid schemes. Investors' funds are pooled together and managed by the Ponzi operator who ends up using investors' funds for personal gratification.

In some cases Ponzi schemes are also activated when corporate entities that are making losses pretend to be profitable whiles in reality continues to operate at a loss. These companies use funds invested from subsequent investors to pay promised high returns to earlier investors.

Pyramid Scheme is a form of fraud where the expected benefit to members depends primarily on the number of individuals they recruit. In a pyramid scheme each member may be required to pay a membership or registration fee and recruit a certain number of people for example to recruit 3 persons who also have to recruit 3 and so on for their rewards which is not necessarily the case in a Ponzi scheme. Pyramid Scheme is sometimes masqueraded as Multilayer Marketing (Network Marketing).

Multilayer Marketing (MLM) also called Network Marketing is a scheme where there exist a legitimate product where marketing members are salesmen who sell a legitimate product receive commissions on sales by their recruits, their recruits' recruits, and so on. The distinction between a legal MLM arrangement and an illegal pyramid may be difficult to establish. In some jurisdiction MLM is legal whiles it is illegal some other jurisdiction.

One fact to know is that, FIS and UIS are bankrupt at their inception with eminent and an assured collapse over time. It can be visualized as a *nice vehicle with a driver who is aware that the vehicle is faulty, yet picks passengers along the road and drives at top speed to a mirage destination, knowing very well the car will crush with devastating consequences for all passengers including the driver but not sure when the crush will take place. It is just by sheer luck that some passengers alights before the destined crush*. The drivers in this case is the FIS or UIS operators, the passengers are the investors and the vehicle is the products sold to investors.

These schemes work on the premise of infinite population, where funds inflows will have to exceed financial obligations at all times. They collapse when the reality of finite population shows up and also when regulators insists on non-new investors. In some jurisdiction MLM is considered a fraudulent activity ostensibly because at the matured stage of the product or finite time, persons in the lower order of the pyramid lose money.

One distinctive nature of Ponzi scheme from Pyramid scheme and MLM is that, Ponzi scheme needs not necessarily have a pyramid structure in membership. In Ponzi scheme so far as investors make more financial contribution the scheme is solvent. Compared to Pyramid and MLM schemes that need membership inflows that exceed existing membership at each point in time. In short Ponzi scheme relies heavily on the value of financial contributions of investors not necessarily about membership, whiles Pyramid and MLM rely solely on increasing membership to be sustainable hence the rewards for referrals in Pyramid and MLM. In many instances all three, Ponzi schemes, Pyramid schemes and MLM operate with clients in a pyramid structure indirectly.

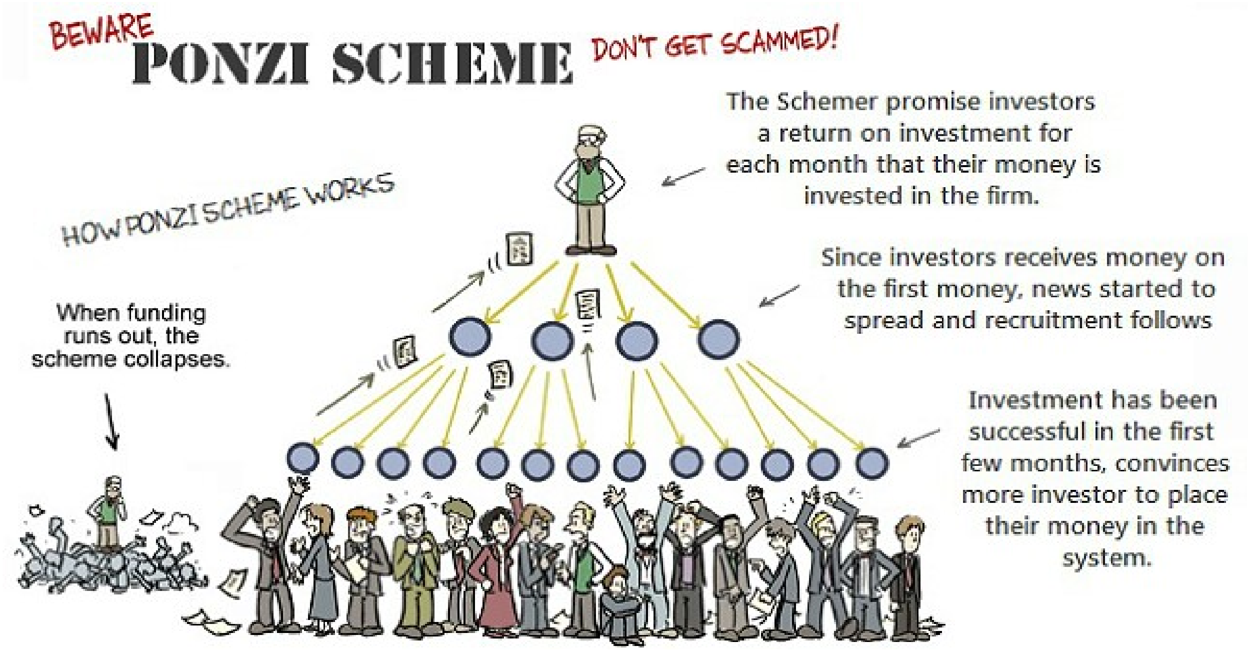


Figure 2. Pyramid Structure depicted in Ponzi scheme. Image from HYIP.COM

Figure 1 depicts the pyramid structure of FIS, the Ponzi operator is at the top of the structure, with layers of investors forming beneath the operator. The initial layer of the scheme is of small size however as news of high returns and success of the scheme spreads more investors are lured with the high guaranteed return to invest their funds in the scheme. Further the use of reward or commission for recruiting new investors makes the scheme grow at exponential rate which results in a large base of the pyramid structure. These investors in the lower end of the pyramid suffer the most in the collapse of the scheme as in most cases they do not enjoy much of the guaranteed return let alone their principal investment.

Table 2 provides a sample of countries that have been rocked by FIS and UIS, what investors need to know is that the products used can be financial such as stocks, cash deposit taking, insurance products and non-financial based products including but not limited to Gold dealership, food procession, and transport and double your money schemes. The conclusion from Table 2 is that the product that can be used as a conduit in mobilizing funds from investors in FIS and UIS can only to be limited to the imagination of the operators of the scheme.

Table 2: A sample of countries with reported FIS and UIS

Country	Company	Product
Albania	VEFA.	Trading, Tourism, Transport Food Processing, Deposit Taking
	Gjallica.	More than 200 businesses, over 10,000 employees. Trade medicine, tourism, Forex Trade, Deposit Taking
	Populli	Charitable Organization & Deposit taking
	Xhaffer	Mass Market
	Sude.	Lottery company & Double your money, Commercial

		construction, office complex & Gas stations

Jamiaca	Company	Product
	OLINT Corporation & Lew Fam	Foreign exchange trading
	Cash Plus Limited	Real Estate
		Telecommunication Investment club, Food distribution
		Hotel
Grenada, Dominica, and St. Lucia	OLINT-SGL Holdings Inc	Foreign exchange trading
Turk and Caicos Latin America and the Carribean	Stanford Group Company (SGC)	Certificate of Deposit, Mutual funds
USA	Bernard Madoff Investment Securities	Financial Secutiries
	Stanford Group Company (SGC)	Group of Companies in Finance investment management
	Lou Pearlman	Airline travel service
Columbia Venezeula Ecuador	Grupo DMG	Prepaid credit card and Discount shop
	DRFE	Deposit Taking
Lesotho	MKM Burial Society/Star Lion Group	Pre-paid funeral service
Malaysia	"Swisscash-fund" or Swiss Mutual	Offshore investment company offered 300% for 15 months
	FX Capital	Forex Trading
	Consultant (M) Sdn Bhd,	Palm oil Futures
	Genneva Malaysia Sdn Bhd	Gold Bullions
Pakistan	Modaraba Scam	Modaraba
China	Ezubo	Peer to Peer Lending
UK	Terry Freeman	Forex Trading
India	Stock Guru, promised to pay 20 per cent return	Stocks
Nigeria	MMM	Lending to Help the poor
South Africa	MMM	Lending to Help the poor
Ghana	Pyram	Deposit Taking
	Resource 5	Commodities, Deposit Taking
	DKM Diamond Microfinance	Microfinance
	Unique Shepherd Group of Companies	Tilapia
	God is Love Fund Club	Investment Club
	Jastar Motors	Deposit Taking
	DG Capital	Microfinance
	Care for Humanity	NGO, Investment Club
	Safeway Investment Group	Tilapia

MMM	Peer to Peer Lending
Wealth Drive Ghana limited	Forex Trading, Bitcoin
Global Coin Help Limited	Cryptocurrency
TCL	Forex Trading
Menzgold	Gold
Savannah Brokerage Limited	Deposit Taking

1.4 Strategies adopted by FIS and UIS operators to sustain their operations.

Actions taken by FIS and UIS to prolong their activities can be grouped into three categories: Returns, Marketing and Regulation.

1.4.1 Returns

Returns relates to the reward they promise to give investors and all other claim and settlement strategies adopted by the operators.

- The scheme must promise guaranteed higher than market return also called extra value, dividends, bonus, commission among others to attract investors. These guaranteed high return contradicts the canonical finance or investment maxim that higher return goes with higher risk. In some instances such as the Menzgold case, investors were made to purchase insurance from the scheme with the understanding that the insurance was to protect the risk embedded in the volatility of prices in gold trading.
- Investors are encouraged to roll-over funds upon maturity. This is a strategy to reduce the cash outflow from the scheme to keep the scheme from collapsing. The longer investors retain their investment with the scheme the higher the promised reward.

1.4.2 Marketing

Marketing refers to all activities embarked on by the FIS and UIS to increase the membership of the scheme and value of investments.

- The perpetrators promote their schemes through influential individuals most of whom have large followings and appeal to a particular constituents of people. The leaders of the affinity group “Stars” or influential individuals help promote these schemes. Little wonder that in many Ponzi scheme affinity fraud is very common.
- Investors are encouraged to become recruiters into the scheme, who are rewarded for recruiting new members into the scheme. This follows the idea of having exponential growth to keep the scheme running.
- The operators attempt to make their schemes visible through significant charitable and sometimes political contribution. Through some of these acts, they earn the accolade “pillars of their communities” according to Carvajal, Monroe, Pattillo & Wynter (2009). Some in Jamaica have sponsored premier leagues, Miss Universe Beauty Pageant and suspected political party sponsorship.

1.4.3 Regulation

Regulation, this is about law abiding and conformity of the scheme to the industry regulator. It must be pointed out that this is a big challenge for the FIS and UIS as they know that any regulatory inquiry into their operations, spells doom for them. Their strategy is to operate as far as they can from the regulator.

- The Ponzi operator deceives the investor that the investment is genuine embedded in a secret formula known only to the owner of the schemes. They also press on the novelty nature of the business idea hence lack of regulation for their activities. Their position is that there is a regulatory loop hole that they are exploiting hence their activities is genuine and yet to come under regulation.

- The regulators of the financial market is on the blind side into the investment details of the scheme as any intervention by the regulator to halt additional inflows of new investors means doom and collapse for the scheme.

2.0 Life Span of FIS and UIS

The effects of FIS and UIS is directly related to the lifespan of the scheme. The life span of these schemes can be presented in four phases as portrayed in Figure 2. FIS and UIS longevity is not predictable, however, the longer the lifespan more damage it causes to investors and the economy as a whole. The fraudulent scheme of Bernie Mardoff for example operated for more than 20 years before it was officially uncovered in the United States.

The first phase is the early investor's stage, this is when the scheme is new on the market. During this stage the operator reaches out to investors, with the guaranteed high returns. The scheme works on infinite investor population proposition, which is a strong assumption and an assumed false believe or psychological framing of the operator that at all times funds inflow into the scheme would always exceed funds outflow. Investors are mostly sceptical about the track record of the scheme, the scheme stands a high chance of failure at this stage. The payment of the promised high returns convinces investors about the genuineness of the investment. These investors now become the ambassadors for the investment and sell the investment to friends, relatives and other individuals who show interest. Aggressive marketing strategies and reward for referrals are used to grow the investment base. Should the scheme collapse at this stage the effect is minimal, mostly on the investors, the systemic effect is not enormous.

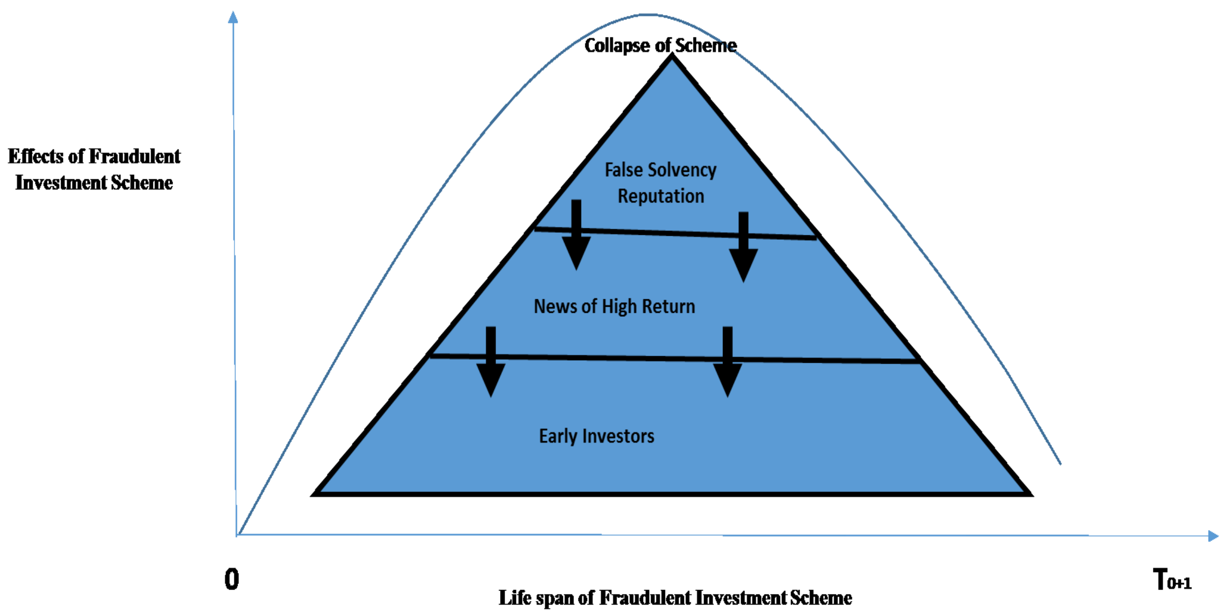


Figure 3. The Life Cycle of FIS and UIS

Source: Authors conceptualization,……..(add year)

The second stage is the News of High Return, this is where the early investors spread the news of the paid high guaranteed to the public.

The aggressive marketing strategy is still pursued with the involvement of notable “Stars or Celebrities” to convince investors to join the scheme.

The operators of the scheme also undertake benevolent activities to gain good publicity such as donations to orphanages, sponsorships of beauty pageants, sponsorship of sporting activities and musical concerts among others.

The operators become champions of their community through their benevolence. Some of these operators through the benevolence and sponsorships get close to politicians which give their schemes a good image and unofficial endorsement.

The number of investors joining the scheme keep increasing and to manage the financial outflows from the scheme, operators deploy strategies that will make investor’s rollover their funds.

The infinite investor population assumption is still at play and this is made effective sometimes through the offer of additional high returns if matured funds are not withdrawn but reinvested in the case of Ponzi and Pyramid Schemes whiles in the case of MLM additional products or variations of the products are introduced to prolong the life span of the scheme.

Should the scheme collapse at this stage the effect on the investors and the economy is much higher than that in the case of early collapse. The false solvency reputation stage is when the scheme gains so much popularity and some investors begin to question its source of promised above market return.

The popularity leads to queries concerning the investment strategy and the increase demand for transparency into the activities of the scheme from the investing public and more importantly from a regulator.

The reality of finite investor population which is the point where it becomes difficult to increase membership at an increase rate to cover maturing obligation emerges and crystallizes.

Behind the scenes in the scheme is experiencing maturing financial obligation exceeding fund inflows investors. Managing liquidity becomes a major challenge for the scheme and news of about this situation starts filtering out to the investment public. The aggressive marketing strategy, higher returns for roller over funds and new membership is pursued to cover up the doubts about the sustainability of the scheme.

Operators at this stage show open opulence and profligacy in cars, houses, wardrobe collections, benevolence, and sponsorship among others all as strategies to cover up for the false solvency position of the scheme. Should be scheme collapse at this stage the effect on the investors and the economy is enormous than a collapse at the news of high return stage.

The Collapse Stage is the culmination of the false solvency reputation stage and the crystallization of the finite investor population reality. It is just the point when the scheme is uncovered and declared officially as a fraudulent or unregulated investment scheme by regulatory authorities. At this stage all activities of the scheme is halted, operators arrested and investors warned with disclaimer to desist from doing business with the firm.

The effect of the collapse is enormous on investors and the economy as a whole. All investors in the scheme at this point can only benefit up to any protection support in the case of FIS and any funds from any asset liquidation exercise in the case of UIS. In most cases the financial support for investors in the case of FIS is not much. The case for investors in UIS is devastating as they virtually end up losing their investment, as operators are not able to account for the funds more so as there exist no tangible and valuable asset to liquidate.

Some launder the money out of the economy to other jurisdiction, others use the funds for personal aggrandizement.

2.1 Environment Conducive for FIS

There is no financial market in the world that is immune to fraudulent investment schemes. These schemes can operate in less sophisticated and sophisticated and highly regulated environment such as the case of Mardoff shows.

However, in weak regulatory financial market a buoyant informal financial sector which was the case of Russia, Albania and the likes, FIS and UIS are very common and operate with lots of impunity to the surprise of well-meaning investors.

In most situations when an economy is financialized then a fertile ground is created for these schemes to flourish. A financialized economy is where money creates profit without the channels of production or trade.

If there is no visible evidence of manufacturing, agricultural and other real sector economic activities that create wealth and provide returns to shareholders but a system where money transfers and money related business is what dominates the economy.

The psychology of economic agents and investors in this situation is tune to quick money turnaround or get rich quick with expected high return which hardly translates into the real economic growth. Such an environment is conducive for Ponzi and the like to succeed.

Another situation that creates a lush ground for fraudulent investment schemes to operate is a buoyant informal financial sector. This is mostly the situation when command economies embark on transition to a free market system.

The transition is characterized by gradual deregulation, during this period, regulations are mostly tight in the formal financial sector with interest rate regulation while it is laxed in the informal financial sector.

In the presence of a budding economy, suppliers of funds look out for higher sources of returns which in most cases is the informal sector. "Ponzinenurs" then position themselves to lure investors with higher than market interest rates, coupled with the weak regulatory regime in the informal sector provides the incubator for the schemes to be birthed in such economies.

2.2 Effects of FIS and UIS

The effects of FIS and UIS is well presented in Carvajal, Monroe, Pattillo and Wynter (2009). To begin with, investable funds are diverted from productive sectors such as the banks and savings and loans companies who possess the required expertise in managing information asymmetry problems to unproductive use entities like FIS and UIS. In some case the funds mobilized by these schemes are laundered to foreign destinations.

In many FIS collapse, where the systemic effect is enormous in the case of licensed institutions, the government is tempted to bailout investors as a way of alleviating the financial loss incurred and preventing economic dislocation and ensuring restoration of confidence in the economy.

The controversy with government bailout is that if the bailout occurs laggards are encouraged to get involved as, wealth is redistributed from non-participants to participants.

Furthermore tax revenue that could have been used to provide other public services is channelled into compensation for defrauded investors.

Another effect of FIS and UIS is that it causes swings in consumption driven by paper and above market return. With these guaranteed returns and principal investment, investors mostly change their consumption based on the expected outcome in these schemes. As investors withdraw their above market returns, there is a great temptation on the part of these investors to spend these additional income without any good plan leading to swings in the consumption of these investors. The swing in consumption is also eminent after the collapse of these schemes as investors will have to adapt to new consumption patterns.

There is also socio-economic strife if a sufficiently large number of households are suddenly exposed to loss of funds through these schemes. Deaths, sickness, divorce and sometimes civil unrest are common. In Albania with over 2,000 deaths was reported, there was massive emigration of citizens to Italy all as a result of the Ponzi bubble that rocked the country. The reported cases of suicide in West Bengal, India as a result of these schemes shows that it can be far and reaching.

Political authorities will not be spared a barrage of criticism and a vote of no confidence in the case of FIS and UIS more especially when it is believed that the operators may have had some political connection and perceived endorsement in the cause of their operation. The classic case of Albania shows the effect of FIS and UIS; the loss of power for the president of Albania as a result of the Ponzi crisis 1996-1997.

Undermine public confidence in financial markets as market participants expect regulators to maintain law and order in the financial market. Many investors when genuinely defrauded by unscrupulous financial institutions like FIS and UIS lose confidence in the financial market. The long run effect of this is that investors withhold their funds from the financial market which typifies market failure. Closely related is the fact that FIS and UIS undermine investors' confidence in financial market regulators and law enforcers for failing to prevent open frauds.

2.3 Preventing Falling Prey to FIS and UIS

The reflags of Ponzi and the likes are not difficulty to find. It is therefore sad to know that many investors become victims of these fraudsters. The following early warning signals if identified and attended to, can greatly reduce the chances of investors' falling prey to FIS and UIS.

- **Beware of promise guaranteed high return,** these are returns higher than above average market return. It is a fact that all investments aside government issued instruments will offer some risk premium captured in the higher return than government returns. However when an investment promises a return such as 3%, to 30% or even 45% per month as reported in some of these schemes, it becomes "too good to be true. Apart from government issued instrument, a guaranteed return is not possible in any genuine investment vehicle. The basic investment maxim of higher return-higher risk principle, should guide investors.

Figure 4 is a true copy of a certificate of deposit for an investor in R5 an unregulated investment scheme that operated in Ghana in 1994 - 1995. A careful reading from the certificate will reveal that the interest called bonus for a month period of investment was 30%. This translates into an annual percentage rate of 360%. Any investor who comes across an investment with this return should not only run but flee from it. In other words it is a typical fraudulent investment scheme which must not be tolerated.

Certificate of Deposit $\frac{R}{5}$13

NON NEGOTIABLE • NON TRANSFERABLE

WO YE ODEHYEE

R 5 FINANCE LIMITED

Certificate No. $\frac{R}{5}$ 27112

Place of Issue KAPRICE BR.

Date of Issue 5-4-95

Account No. 4693

In consideration of [redacted] lodged with R 5 FINANCE LIMITED by [redacted] the company hereby accepts and certifies as full discharge thereof the sum certain in money amounting to ¢1,950,000.00 ONE MILLION NINE HUNDRED AND FIFTY THOUSAND CEDIS. being the principal inclusive of 30 % rate of return as bonus thereon relative to the specified duration maturing on 15-5-95

For and on behalf of
R 5 FINANCE LIMITED

Authorised Signature II

Authorised Signature I

Figure 4: A copy of R5 Finance Limited Certificate of Deposit

- **The next admonition is that investors should go in for investment that they have fair understanding of**. Do not invest funds into any venture you do not understand. If an investment vehicle is too complex to understand and its sources of return are not clearly explained, (irrespective of the reputation of the operator of the investment, or recommendations from friends and families), stay away. *If you do not understand the workings of an investment, its sources of returns, then you definitely do not understand how to lose your investment in such a scheme*. Seek for professional advice from personal finance experts or from investment banking firms. This advice will come at a fee but this cost cannot be compared with the loss associated with the loss of the investment should the loss be incurred.

Any time your hunch tells you something is not right with an investment, before you commit funds into a scheme, verify the investment details from the regulator. Verify to know if the company you want to invest in is in good standing as far as the regulator is concerned. Contact the Securities and Exchange Commission (SEC) if the investment vehicle is in the mutual funds or in investment companies group, if it is deposit taking then the Bank of Ghana (BoG), insurance verify from the

National Insurance Commission (NIC) whiles if is a pension product then National Pension Regulatory Authority (NPRA).

This should be the case if the entity is licensed financial institution. In most cases a visit to the website of the regulator will reveal the list of companies that are in good standing to continue their operations.

In the case of unregulated investment schemes the investor can report to the police. *To be safe seek professional advice from personal finance experts or from investment banking firms. The cost of this advice is always lower than the cost of a lost investment.*

Genuine investments would always provide periodic statement to investors, the entity as a whole will also publish audited annual final accounts. The investor is advised to confirm who the auditors are and if the auditors are in good standing. Furthermore investors must authenticate if the fund has a third-party custodian or an independent administrator to oversee the assets of the scheme. If the managers of the investment cannot provide these then the investor is strongly advised to avoid committing funds to such a scheme.

Diversification reduces risk in all business endeavours. All investments involves risk, however investors who diversify their investments are better positioned to manage losses from a failed investment. Investors are strongly advised not to put all their funds into a single investment, diversify your investment across industries, firms and investment products. This helps reduce risks and losses suffered from failed investments. As the saying goes do not put all your eggs in one basket.

3.0 Conclusion

The traditional function of the financial market is to aid in the transfer of funds from surplus to deficit units, through process of intermediation. Notwithstanding this, there will also be times when unscrupulous individuals and firms will come onto the financial market with the objective of taking advantage of unsuspecting investors through the offer of financial instruments and non-financial products with high returns. Fraudulent investment schemes can be licensed in the case of FIS and unregulated in the cased of UIS. The main schemes are Ponzi schemes, Pyramid Schemes and Multilayer Marketing or Network Marketing.

These schemes operate in tight regulatory as well as weak regulatory environment. The effects of these schemes extend beyond the individual investors' socio-economic pain and loss and also expose the whole economy as mobilized funds get into unproductive venture which does not translate into economic growth.

The sad reality is that these schemes will always exist on the financial market, investors must therefore ask questions and verify investment options before committing their financial resources. What investors need is the knowledge set that will help them identify these schemes. Regulators must also create the needed atmosphere that will make the financial market an unfertile ground for Ponzi, Pyramid and Network Marketing schemes to thrive. It takes the regulatory effectiveness on the financial market to ensure that investors' confidence are maintained.

The onus of this pursuit lies squarely in the bosom of the regulators of the financial market. The following recommendation is proffered to help reduce the presence of these fraudulent investment schemes on the financial market.

4.0 Recommendation

Collaboration and cooperation among regulators SEC, BoG, NIC, NPRA and international cooperation among regulators is also recommended. In many case funds mobilized by these schemes are laundered out of one economy and transferred to another economy or from one financial market to another through different financial instruments. In collaborating with regulators information gathered during the investigative process should be confidential and classified. The Ministry of Communication or the office in charge of Information Communication and Technology must be involved because of the internet, the trend emerging is that fraudsters are luring unsuspecting investors with internet support based products.

The establishment of investor Protection Corporation should be considered by the SEC. In Ghana the setting up Ghana Investor Protection Corporation (GINPROC) which should be private non- for profit as part of the SEC is long overdue. The funds for running the affairs of GINPROC should be sourced from SEC licensed investment companies and brokerage firms through annual fees charged based on the asset size of these licensed firms. The modalities by way of operations of GINPROC should reduce moral hazard behaviour of contributing firms. Part of the funds should be used to cover securities and cash for investors when their brokerage firms fail or go out of business. Non-contributory firms would not benefit from any GINPROC support in times of failure.

Financial literacy is key in the fight against fraudulent investment schemes. The Organization for Economic Cooperation and Development (OECD) Institute for Financial Education (2011) has defined financial literacy as the combination of awareness, knowledge, skill, attitude and behaviour necessary to make sound financial decisions and ultimately achieve individual financial wellbeing.' The Ghana Education Service should add financial literacy to the current school curriculum. This formal class room education should start from primary school to senior high for both business and non - business programs. The universities should also be encouraged to add financial literacy as part of their core life development courses.

The use of public awareness campaign in newspapers, television and radio medium, will go a long way to provide the needed knowledge to avoid these fraudulent schemes. The television and radio campaign should also be in the various local languages not only the official English language. The cost of these education and public awareness campaign can be borne by the Ministry of Finance, regulators, financial institutions and payment service providers who stand to gain should financial literacy levels increase.

Regulators must also keep the public informed about fraudulent investment schemes, publish list of cases involving these schemes and how they have been dealt with. Moreover regulators should periodically publish the red flags that the public needs to know in identifying these schemes. This can be part of public education campaign, the cost can be borne by all regulators of the financial market.

Another recommendation is that a law should be devised specifically at FIS and UIS in addition to the establishment of special courts with the requisite skills and experience to deal with fraudulent investment schemes, with special emphasis on "catch all" provisions in relation to collecting money from the public and punish fraudulent investments. The "catch all" concerns all investment activities that are suspected to the fraudulent.

There should also be periodic capacity building for the needed legal skills and expertise for regulators and judges to handle fraudulent investments. Training in and handbooks on the features of these schemes and how to investigate them should be the main content during such capacity building exercise.

Also regulators must insist on real time reporting from licensed institutions as this can help identify challenges in good time. Regulators should be given the power to request for information from regulated and unregulated entities, including subpoena powers coupled with follow the money principle. Regulators should be able to impose civil or administrative sanctions. In this regard prompt punishment is also proffered to deter others.

Finally media houses should be tasked by the National Media Commission (NMC) to conduct some due diligence on business entities they advertise for. Media houses should also verify the licenses and regulatory standing of financial institutions from their respective regulator before they provide their platform for the marketing of investment products. Many investors rely on newspaper, television and radio advertisement in deciding where to invest their funds. The case is that advertising income must be sought with due diligence.

QUOTES

Life is really simple, but we insist on making it complicated.
Confucius

In the end, it's not the years in your life that count. It's the life in your years.
Abraham Lincoln

Life is inherently risky. There is only one big risk you should avoid at all costs, and that is the risk of doing nothing.
Denis Waitley

We all have two lives. The second one starts when we realize we only have one.
Tom Hiddleston

People have different reasons for the way they live their lives. You cannot put everyone's reasons in the same box.
Kevin Spacey