

# Bank of Ghana

## Press Release

The Bank of Ghana has observed, since the last meeting of the Monetary Policy Committee (MPC) that the transactions market for foreign exchange remains broadly stable, consistent with economic fundamentals. However, speculative activity of currency traders in the inter-bank foreign exchange market continues to exert pressures on exchange rates, resulting in continuing depreciation of the Ghana cedi.

It would be recalled that the MPC increased the policy rate and reduced the limits on Net Open Position (NOP) of banks. The measures were intended to improve the attractiveness of cedi assets and increase the supply of foreign exchange to the market. The Bank further indicated that it would closely monitor developments and take additional measures if deemed necessary.

In order to reinforce the monetary policy stance and restore stability and transparency in the foreign exchange market, the Bank has decided on the following measures:

- 1. The re-introduction of Bank of Ghana Bills** in the following tenors - 30 days, 60 days and 270 days. This is intended to support the monetary operations of Bank of Ghana and provide additional avenues for cedi investments.
- 2. Revision in the application of the statutory reserve requirement of banks.** All banks will now be required to maintain the mandatory 9 per cent reserve requirement on domestic and foreign deposit liabilities in Ghana cedis only. Consequently, banks will no longer hold the reserves in different currencies.
- 3. Provision of cedi cover for vostro balances.** All banks are required to provide 100 percent cedi cover for their vostro balances, to be maintained at Bank of Ghana. This is in line with the provision in the Operational Guidelines Pursuant to the Foreign Exchange Act, 2006 (Act 723) that precludes foreign investor participation in the short end of the money market. This is also consistent with the 27<sup>th</sup> March 2012 directive of Bank of Ghana to all banks.

These measures will take effect from 1<sup>st</sup> May 2012.

Notices and guidelines will be communicated to the banks for their guidance.

April 27, 2012