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Securities and Exchange Commission mandates minimum liquid capital requirement

for market operators and prescribes treatment for short-selling,
securities borrowing and lending arrangements, margin
financing and repurchase transactions

The Securities and Exchange Commission of Ghana (SEC) has issued a new guideline to tighten the regulatory capital requirements for the conduct of business within the securities industry. The guideline, titled Securities Industry (Financial Resources) Guidelines, 2025 SEC/GUI/002/08/2025 (the Financial Resources Guideline), was issued by the SEC on 12 August 2025.

The highlights of the Financial Resources Guideline are as follows:

1. it introduces a minimum liquid capital requirement for all market operators licensed by the SEC. Prior to the issuance of the Financial Resources Guideline, the SEC's licensing guidelines of 2020 required all SEC licensed market operators to maintain a minimum paid-up capital which must remain unimpaired by losses. The Financial Resources Guideline go a step further by requiring each market operator to (at any given time) have and maintain minimum liquid funds which amount to the highest of (i) 50% of its required minimum paid up capital, (ii) 25% of the average of its expenses for the 3 most recent financial years (as demonstrated by its 3 most recent financial statements), or (iii) 10% of its adjusted liabilities (as defined under the Financial Resources Guideline);
2. it prescribes standards for the calculation of liquid capital, ranking liabilities and valuation of assets held by market operators within the securities industry;
3. it requires market operators to constantly monitor their actual liquid funds, notify the SEC immediately after their liquid funds fall below the required minimum, and introduce additional liquid funds within 5 business days after a shortfall;
4. it creates uniform rules for the accounting treatment of transactions in margin accounts, securities borrowing and lending agreements, repurchase transactions and short selling and short positions for the purpose of calculating liquid capital; and
5. it creates new liquid capital related notification and compliance requirements. These include a requirement to promptly notify the SEC where specified financial stress indicators arise, including where claims or liabilities exceed defined thresholds or lenders exercise enforcement rights. Further, it creates regulatory return submission obligations which require market operators to submit monthly returns within 15 days after the end of every month (to report matters such as actual liquid capital v. required liquid capital) and quarterly returns within 21 days after each quarter. These returns must be signed by the chief executive officer and chief financial officer of each market operator.

The Financial Resources Guideline took effect immediately upon its issuance. However, the SEC provided market operators with a 3-month moratorium such that implementation of its requirements (except the liquid capital maintenance requirement) only commenced 3 months later on 12 November 2025. Regarding the minimum required liquid capital, the SEC expected existing market operators to be 50% compliant by December 2025 so market operators who are currently non-compliant may already be liable to the sanctions prescribed under the Financial Resource Guideline (i.e. administrative penalties of 200 penalty units for each day of non-compliance). Market operators are further expected to be 75% compliant by June 2026 and fully compliant by December 2026. However, new licensees of the SEC must meet the minimum liquidity requirements immediately.

The issuance of the Financial Resource Guideline is a significant milestone in the SEC's efforts towards establishing a comprehensive regulatory framework to protect investors, strengthen market stability, and ensure the solvency and liquidity of all licensed market operators in Ghana's securities industry.

The SEC's prescription of an accounting treatment for transactions in margin accounts, securities borrowing and lending agreements, repurchase transactions, short selling and short positions in securities is a welcome addition to the steps being currently undertaken to deepen Ghana's financial markets and introduce more complex products. Sections 137, 141, 142 and 143 of the Securities Industry Act, 2016 (Act 929) as amended as well as the SEC's January 2008 Compliance Manual for Broker-Dealers, Investment Advisors and Representatives refer to short-selling, securities lending and borrowing, and margin trading and financing. However, these provisions specify that the conduct of such activities is subject to guidelines to be issued by the SEC and the SEC has hitherto not issued any such guidelines.

The detailed provisions on accounting treatment for such products therefore offers a glimmer of hope for a deep, liquid and globally competitive securities industry in Ghana.



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