

BANK OF GHANA
LAUNCH OF DOMESTIC GOLD PURCHASE
PROGRAMME



REMARKS
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**The CEO of the Minerals Commission,
The CEO, Ghana Chamber of Mines,
The CEO, Precious Minerals Marketing Company (PMMC),
CEOs of Mining Companies,
Directors and Staff of the Bank of Ghana,
Ladies and Gentlemen,**

Good afternoon to you all and let me welcome you all to this special event

Introduction

- 1.** It is a great pleasure to be part of this momentous occasion of launching Bank of Ghana's domestic gold purchasing programme. You would recall that during the February 2021 MPC Press Conference, I had projected that we will be ready to commence this programme by the middle of the year.
- 2.** This event is indeed historic as it marks the first time the Bank of Ghana is embarking on a domestic gold purchasing to augment our foreign reserves with a view to doubling Gold holdings in our foreign exchange reserves portfolio. It therefore marks a significant change in the modus operandi of Bank of Ghana's foreign exchange reserves management operations.
- 3.** Ladies and Gentlemen, let me share a little bit of history on the importance of gold as a monetary asset. During the era of the Gold Standard, currency issued by Central Banks has to be fully backed by



gold, measured in troy ounces at the time. This Gold standard measure of assessing the strength of currencies was later abandoned at the turn of the 20th Century, when economies began printing currencies without the backing of gold. Since this transition, currencies have been backed by a variety of instruments including gold, government bills and stocks, and first-class bills of exchange. In fact, when Ghana issued its jurisdictional currency in 1958, the original currency cover assets for the currency issued included gold, sterling, and call money in the United Kingdom, and British Treasury Bills with maturities not exceeding three months, among others.

- 4.** The history of monetary management has revealed that while Gold in the reserve cover mix was not given much weight, the managers of the economy, during the 1960-61 financial year took a bold decision to increase the amount of gold to be held in the cover asset mix for the Cedi. As a result of this decision, a small amount of refined gold, valued at around US\$3.7 million at that time was bought overseas and transported to the Bank's vault. The fall in the value of Gold in the 1960s saw a shift in policy away from Gold as a cover asset to foreign currency and securities.
- 5.** The Bank of Ghana 's foreign reserves has grown steadily over the last fifteen (15) years to current levels of almost US\$11.00 billion, but the portion of gold reserves has remained unchanged at 8.77 tonnes, with



the average value of gold reserves held as a percentage of Gross International Reserves (GIR) at 6.14 percent.

- 6.** A cross country comparison shows that contrary to Ghana's static gold holdings in its reserves, the USA and other industrialized countries in the Eurozone have continued to hold large gold reserves, post the gold standard era. According to the International Monetary Fund (IMF) and the World Gold Council, major industrialized countries held the largest volume of gold reserves as at April 2021, followed by major emerging markets with major developing countries lagging behind the curve. Globally, Central Banks demand for Gold, over the past decade, ranks third behind Jewellery, Technology and Investment sectors.
- 7.** These trends are revealing because Ghana has mined gold for over three centuries and for the most part, the gold is exported. In 2019 for instance, Ghana was adjudged the largest producer of gold in Africa and the 7th largest in the world. Yet, in that same year, other central banks acquired a record level of 670 tonnes of gold to boost their reserves according to the World Gold Council.
- 8.** The statistics show that the pandemic period saw a marginal decline in central banks' gold demand but, the number of central bank buyers outweighed the number of sellers over the period. Most of the buyers were from emerging market countries which had lower ratios of gold-to-total reserves. For instance, Turkey was the largest annual gold net



purchaser, adding 134.5 tonnes to its official gold reserves in 2020 alone. Other large net purchasers of gold during the pandemic year were, India, Russia, United Arab Emirate, Qatar, Colombia and Cambodia, among others. Ghana added nothing to its gold reserves over the period.

9. The programme we are launching today therefore sets the stage for Ghana to purchase gold as part of efforts to build its reserves. This initial step will enable the Bank of Ghana (BoG) buy domestically produced gold from selected gold aggregators and mining firms and pay in the local currency at the prevailing market price. Through this programme the BOG expects to double its gold holdings in the next five years.

Benefits of the Bank of Ghana Gold Acquisition Programme

10. Distinguished ladies and gentlemen, other than the diversification benefits of gold for our reserves portfolio, the domestic gold purchase programme will pave the way for BOG to grow its foreign exchange reserves to foster confidence, enhances currency stability, creates a more attractive environment for foreign direct investments and economic growth. This programme will also enable the Bank leverage its gold holdings to raise cheaper sources of financing to provide short-term foreign exchange liquidity.



The Gold Acquisition Programme Process

11. Ladies and Gentlemen, permit me at this stage to briefly highlight the Bank's Gold Acquisition Process.

- Dore gold (unrefined gold) purchased from a Gold Aggregator will be assayed by the Precious Minerals Marketing Company (PMMC) - the national assayer. To assay is to simply test a metal to determine its ingredient and quality. Upon going through a satisfactory assaying process, the PMMC will submit an assay report to BOG on the day of delivery. Using the agreed pricing sources for gold and the cedi/dollar exchange rate, the value of the gold supplied will be determined and paid for within 48 hours to the aggregator.
- At the next stage, BoG will aggregate the assayed dore gold purchases at its vaults and from time to time, send the validated dore gold to an LBMA-certified refinery to be processed to the required international standard of good gold delivery (fineness of 99.99%).
- Finally, the LBMA-certified gold will then be stored at designated locations as part of the BOG's reserves.

12. The Bank has engaged other domestic mining firms in collaboration with the Ghana Chamber of Mines to buy refined gold from their refineries. At this time only one gold aggregator has been selected for the programme after an independent due diligence was conducted. In the



near-term, other gold aggregators will be eligible to participate in the programme once a roadmap is developed to ensure they meet the governance, risk, compliance and supply chain requirements.

Conclusion

13. Distinguished Ladies and Gentlemen, Bank of Ghana views the gold acquisition programme as an efficient way of growing the foreign exchange reserves of the country to supplement the traditional ways that Ghana has built reserves over the years. Among others, this will help reduce our dependence on more expensive ways of building reserves. The Gold purchasing programme will bring revolution to the small-scale gold mining sector. Ghana's domestic purchasing programme for gold has the potential to improve the small-scale gold mining sector by guaranteeing, that they receive a fair purchasing price for their gold, provide an incentive to formalise and move away from damaging environmental and social practices. It would also lead to a route to formalise and improve ability to sell into formal gold markets and thereby reduce their vulnerability to illegal actors in the domestic and international gold supply chains.

14. Ladies and Gentlemen, before I conclude, let me acknowledge the support of His Excellency the Vice President, Dr. Mahamudu Bawumia who got this programme started. I would also want to acknowledge the collaborative roles played by other key stakeholders, including the Ghana Minerals Commission, PMMC, the Ghana Chamber of Mines, and



a selected number of licensed gold aggregators. Their efforts in bringing us to this stage is duly recognized. On that note, I declare the Bank of Ghana Gold Acquisition programme duly launched.

Thank You Very Much and GOD BLESS GHANA.

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