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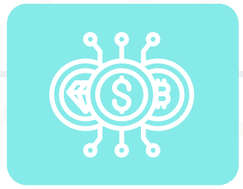
DIGITAL ASSET REGULATION IN GHANA

What You Need To Know



CREDIT ADVISORY, FINTECH & FINANCIAL SERVICES

KEY TERMINOLOGY



DIGITAL ASSETS

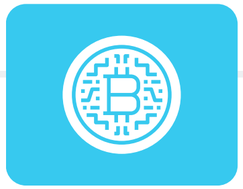
Any form of electronically stored or encoded content with intrinsic value.

They may be virtual assets (Bitcoin), tokenized utility assets and digital documents.



VIRTUAL ASSETS

Digital representation of value that can be digitally traded, or transferred, and can be used for payment or investment purposes.



CRYPTO CURRENCY

A digital currency, created using distributed ledger technology and operating independently of a central bank.

Eg: Bitcoin, Binance USD, Ethereum.



CENTRAL BANK DIGITAL CURRENCY (CBDC)

Digital versions of fiat created with Blockchain technology and backed by central banks.

Eg: e-Cedi & e-Naira.



VIRTUAL ASSET SERVICE PROVIDER (VASPS)

Companies providing a range of services associated with crypto and virtual assets. They operate as exchanges, wallets, brokerages, custodians, and transfer services

Eg: Binance

EVOLUTION OF DIGITAL ASSETS REGULATION IN GHANA

2018

BOG Notice that the use, holding, and trading of virtual or digital currencies is not permissible.
NOTICE NO. BG/GOV/SEC/2018/02.

2019

Payment Systems & Services Act, 2019 (Act 987)
which does not regulate digital assets.

2021

Ghana ranked third in peer-to-peer bitcoin trade by News.Bitcoin. com.

2022

BOG Notice on "Freedom Coin, cautioning the public about unlicensed PSPs dealing in crypto and its trade prohibition NOTICE NO BG/GOV/SEC/2022/03.

2023

Umoja Labs Report: Ghana accounting for 2% (738,074) of 40.3 million cryptocurrency owners across Africa.

PRESENT

BOG Draft Guidelines on Digital Assets

Binance rolls out Mobile Money crypto purchase and sell product in Ghana.

FACTORS ACCELERATING GROWTH OF VIRTUAL ASSET INDUSTRY IN GHANA

Mobile Money

High mobile money penetration in transactions.

Globalisation

Cross Border business activities and transactions rampant due to globalisation.

Demography

Tech Savy Youth who form 57% of the population (Ghana Statistical Service).

Network Effect

Social Media platforms such as X (Twitter) and movies de-stigmatised digital assets, encouraging its use and increases its value.

VASP

Increase in Virtual Asset Service Providers across Africa

Features

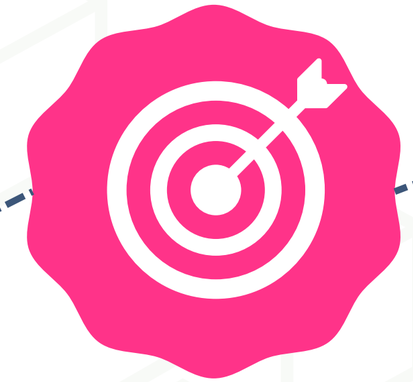
The immutability, lack of regulation, accessibility and anonymity digital assets usage provide due to blockchain technology attracts users.

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PURPOSE OF BOG DRAFT GUIDELINES ON DIGITAL ASSETS

Outright bans stifle innnovation. A welcoming regulatory environment fosters collaboration between government, regulatory bodies, consumers and VASPS.

Foster Innovation



Risk Management

Decentralization and pseudo anonymity associated with digital asset usage, raises concerns about money laundering and terrorism financing (AML/TF), fraud, cyber-theft, currency stability, capital flows and consumer protection.

KEY POINTS TO NOTE IN BOG'S DIGITAL ASSETS GUIDELINES

1. Regulatory Style

- BOG has adopted a cautious "Watch and See" approach to regulation of digital assets including limited stakeholder engagements in 2023 and closely monitoring market developments
- BOG recognises the increased adoption of digital assets in transactions and is working towards a structured framework for safe and sustainable growth of the sector.
- BOG recognises the application of blockchain technology in other areas such as agriculture and healthcare.

2. Need for Regulation

- The digital assets landscape in Ghana faces challenges
- This includes regulatory and legal uncertainty, cybersecurity risks, market manipulation and consumer protection concerns.
- Increase in demand and usage of digital assets for cross-transactions between virtual assets and fiat money (cedi, dollar, etc)
- Need for enhancement of monitoring and regulatory scope on these activities to safeguard the integrity of the financial sector.

KEY POINTS TO NOTE IN BOG'S DIGITAL ASSETS GUIDELINES

3. Seven Objectives of Proposed Regulation

- Ensure integrity and stability of the financial sector;
- Protect consumers and Investors;
- Guard against Financial Crime(AML/CFT);
- Foster innovation and market integrity;
- Promote domestic coordination in managing risks posed by crypto asset service providers;
- Promote international cooperation in combating financial crime;
- Address cyber security risks.

4. Targets of Proposed Regulation

Digital asset exchanges and other platforms offering buying, selling, trading, and custody services of virtual assets (VASPS)

WHAT YOU NEED TO KNOW AS A VASP OR INTERESTED STAKEHOLDER

- Regulation of existing and new VASPS.
- Risk approach to business services.
- Extensive Corporate Governance, Risk and Technology Requirements .
- Commercial Banks may be permitted to collaborate with registered VASPs.
- Sandbox testing with limited VASPS.
- Consumer education and risk disclosure obligations for VASPs.
- Compliance obligations with other regulatory institutions . Eg: SEC.
- Enhanced Payment Service Providers may be permitted to process virtual asset transactions.

DEVELOPMENTS TO NOTE

BINANCE

Binance has rolled out its “One Click Buy and Sell” service in Ghana in August 2024.

Users can now buy and sell crypto currency using their mobile money wallets.

This expansion in regional operations, may be due to its current challenges in one of its large market, Nigeria.

e-Cedi

The Director of FinTech and Innovation at Bank of Ghana in collaboration with a Tech industry lawyer, have released an article on the legal considerations for the deployment of Ghana’s CBDC, e-cedi.

Although this is an article, it may give insight into the regulatory approach for the e-cedi, for interested stakeholders.

NIGERIA

Nigeria’s Securities and Exchange Commission has granted provisional licenses to two crypto exchanges Quidax & Busha in August 2024.

The NSEC introduced the Accelerated Regulatory Incubation Program.

This is to accelerate the onboarding of VASPs and other Digital Investment Service providers (DISPs) seeking to be registered with Commission.

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DO YOU HAVE MORE QUESTIONS?

CONTACT US

0202029222

caffs@mpobb.com

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Labone Accra

www.mpobb.com