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Client Alert

Understanding the Bank of Ghana Gold Coin

Introduction

On 27 September 2024, the Bank of Ghana (BoG) launched the Ghana Gold Coin (GGC) as part of its Monetary Policy Committee's Gold Purchase Programme. This significant milestone is aimed at providing residents of Ghana with an alternative investment vehicle in addition to treasury bills, government bonds, and other traditional instruments. The issuance of the GGC also supports the BoG's broader goal of absorbing excess liquidity from the banking sector, contributing to the stabilisation of the economy.

The gold used in the GGC is sourced from traceable and responsibly mined deposits within Ghana, in line with the BoG's *Responsible Gold Sourcing Framework*, ensuring the highest standards of environmental and social governance.

Key Features of the Ghana Gold Coin (GGC)

The GGC is made from *dore* gold, refined to 99.99% purity, and comes in three denominations—1 oz, ½ oz, and ¼ oz. Each coin is stamped with the Ghana Coat of Arms on one side and the Independence Arch on the reverse. To enhance its value as a collectible and secure asset, the coin is packaged in a wooden storage box and includes a transparent holder and a certificate of ownership. This certificate is critical for verifying the coin's authenticity and legal ownership during resale or in the event of a dispute.

Legal Framework for Purchasing the GGC

The GGC can only be purchased by residents of Ghana through any commercial bank, and all transactions must be made in Ghana Cedis. Pricing for the coin is determined using the London Bullion Market Association (LBMA) Auction PM Price, with the applicable exchange rate based on the USD-GHS Bloomberg REGN Mid-Rate from the previous day's close. The BoG will publish daily pricing information on its website by 9:00 AM GMT to ensure transparency in transactions.

In addition, the BoG will provide further guidance through a comprehensive Questions and Answers document to address key issues such as the transferability of ownership, storage, and custodial services.

Regulatory and Compliance Considerations

As part of its issuance, the BoG has put in place robust Anti-Money Laundering (AML) and Combating the Financing of Terrorism (CFT) safeguards. These measures are designed to ensure that all transactions involving the GGC are free from illicit activities. Buyers and sellers must adhere to these regulations, which are enforced through commercial banks and other financial institutions to prevent money laundering, fraud, and other financial crimes.

Given the complexity of Ghana's AML/CFT regulations, potential buyers and sellers should seek legal counsel to ensure full compliance during transactions.

Resale and Redemption

Holders of the GGC can resell their coins through any commercial bank in Ghana. In instances where commercial banks are unable to purchase the coin, the BoG has committed to stepping in to buy back the coin directly.

Resale transactions with third parties, such as bullion brokers or individual buyers, must comply with Ghana's AML/CFT laws, and buyers are advised to maintain accurate records of all transactions for auditing and verification purposes. These safeguards ensure the integrity of the market and provide a secure avenue for liquidity in gold investments.

Legal Risks of Physical Asset Ownership

As the GGC is a physical asset, holders must consider the risks associated with possession. Legal disputes may arise from theft, loss, or damage to the coin. Buyers should consider insuring their coins and using secure storage solutions, such as safety deposit boxes, to mitigate these risks. In addition, those intending to use the GGC as collateral in secured transactions should ensure that such agreements are properly drafted and legally enforceable under Ghanaian law.

Furthermore, legal clarity on the transferability of the GGC across jurisdictions is still pending. Purchasers looking to transfer or hold these coins outside of Ghana may face additional regulatory hurdles or legal constraints.

Tax and Regulatory Implications

Currently, the sale and purchase of the GGC are not subject to Value Added Tax (VAT) in Ghana, nor are capital gains from its appreciation taxed under Ghanaian law. However, the Ghana Revenue Authority (GRA) may introduce new tax regulations in the future that could affect the treatment of gold coin transactions. As such, potential investors are advised to consult with tax professionals and stay updated on any changes to the GRA's tax policies.

The introduction of the GGC provides Ghanaian residents with an opportunity to invest in a tangible asset while adhering to Ghana's evolving financial and tax regulations. Clients considering purchasing the GGC should seek legal advice to ensure compliance with all applicable laws.

A Key Innovation in Ghana's Financial Markets

The issuance of the GGC represents a significant step forward in Ghana's efforts to deepen its financial markets. By offering a gold-backed investment opportunity, the BoG has democratised access to an enduring and globally recognised financial asset. This initiative allows residents to diversify their portfolios with a tangible hedge against economic instability.

The issuance of the GGC also underscores the importance of a well-regulated, transparent, and compliant financial system.

Disclaimer

This alert is for informational purposes only and does not constitute legal advice.

