



**SECURITIES AND  
EXCHANGE COMMISSION, GHANA**

# ***Regulating Investment-Based Crowdfunding in Ghana***

***Presented by the Securities and Exchange Commission,  
Ghana***

***At a Stakeholder Dialogue on:***

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***Crowdfunding for Strengthening MSME Finance and  
Investment in Nigeria***

***28<sup>th</sup> May 2024***

# Past Ponzi Schemes swung the Commission to tackle non-traditional public issuances including crowdfunding issues

2012

US Tiliapia

- US Tiliapia promised a return of 100% p.a or a 10% per month, failed to honour its obligations to customers.
- Investors invested in Tiliapia Caged Farms
- Scammed investors to the tune of GHS 850k (US\$ 500k)

2013

Diamond Investment

- Engaged in unauthorized/illegal deposit-taking from the general public.
- Promised high returns and scammed investors several millions of dollars

2016

Safeway Tiliapia

- Safeway promised a 80-100% annual return on invested funds, failed to honour its obligations to customers.
- Investors invested in Tiliapia Caged Farms
- Scammed 14k investors of GHS 27M (US\$ 7m)



- Promised investors 10% per month on Gold Purchased through its subsidiaries, Brew Marketing Consult
- Owes its customers about \$42 million.
- An estimated 46,000 individuals including pensioners



- DKM microfinance licensed in 2013
- Promised depositors a 50% interest on their deposits over two months



# *Sandbox Guidelines passed by the Commission*

## Qualifying Criteria for Sandbox License

- Purpose of Sandbox license is to enable entities test innovative capital market products and services in the production environment but within a well-defined space and duration.
- Covers Financial Technology 'FinTech' firms operating within the capital market space and professional services firms partnering with or providing support to such businesses

## Qualifying Criteria for Sandbox License

Product/service is genuinely innovative, not similar to existing products

clear potential to benefit the market and investors

Demonstrated product usefulness and understands the associated risks

resources available to participate, and assess, mitigate, control potential risks and losses

shall subject itself to monitoring during the trial period by the Commission

intends to deploy the product on a commercial scale in Ghana upon exit

**The product cannot be offered at present due to prohibitions under existing laws or regulations or is incompatible with applicable regulatory requirements.**

## What We Grow

There Is Risk In Farming. We dont Guarantee returns of your funding or profit.

Total Amount Raised: **\$129,926.90** | Total Amount Paid out: **\$145,183.40.**



**Cassava II\_2024** (*Manihot esculenta*)

COST PER UNIT	ROS
<b>GH¢375.00</b>	12.5% - 31.82%
FARMING START DATE	FARMING END DATE
15th May 2024	20th May 2025
Farm Location	
Hodzo, Volta Region - Ghana	



**Maize VI\_2024** (*Zea Mays*)

COST PER UNIT	ROS
<b>GH¢585.00</b>	10.03% - 22.55%
FARMING START DATE	FARMING END DATE
10th Aug 2024	28th Feb 2025
Farm Location	
Old Avomah, Oti Region - Ghana	



**Organic Soybean with Acres Nano\_2024** (*Glycine max*)

COST PER UNIT	ROS
<b>GH¢410.75</b>	12.24% - 19.16%
FARMING START DATE	FARMING END DATE
20th May 2024	20th Dec 2024
Farm Location	

# *Our Crowdfunding Journey has involved several stakeholder engagements including key industry actors*

## **Studies on Other Jurisdictions**

Started the Journey in 2020 with a study of Guidelines or Crowdfunding Practices in some jurisdictions (Malaysia, EU, New Zealand, USA, India, Hong Kong, Mauritius, UK)

## **Policy Paper**

A Technical Committee was set-up to draft policy paper on Crowdfunding in Ghana

## **Stakeholder Engagement**

Following the Policy Paper, a market wide stakeholder engagement was held with Key Industry Players to get a deep sense of the Crowdfunding Industry in Ghana

## **Draft Guidelines**

First Draft Guidelines was put together, reviewed several times, and several engagements held with industry players to solicit their views which were factored into the final Guideline

## **Support from UNCDF**

The Commission received financial and technical support from the UNCDF including bringing on board a consultant to help shape the final version of the Guidelines



# A Guideline for Investment Based Crowdfunding



## Scope of Application

- An entity that desires to be licensed as Crowdfunding Intermediary/Platform
- An issuer that use the services of a Crowdfunding Intermediary
- An entity that intends to offer services as a Crowdfunding Platform in Ghana
- A foreign Crowdfunding Platform which seeks to offer services in Ghana
- A foreign entity which seeks to provide investments-crowdfunding services in Ghana.

## Licensing Criteria

- The applicant has in place a Risk Management Framework to manage its business and operational risks
- The Intermediary/Platform has an Operational Manual to guide its operations
- The applicant has in place appropriate Rules to govern its operations. SEC to approve Rules
- Has sufficient financial, human, other resources for its operations including an MCR of GHS 250k (US\$ 20k)

**The guidelines do not apply to rewards-based or donations-based crowdfunding activities which is regulated by the Bank of Ghana**

**Funds raised by a Crowdfunding Intermediary duly licensed by the Commission shall only be utilized in Ghana**

# Objective of the SEC Ghana Crowdfunding Guidelines



**Provide avenues for Start-Ups and SMEs to leverage technology to crowdfund for their businesses.**

**Regulate the activities of the many entities using technology to publicly raise funds without regulatory approvals**

**Provide guidance to investors on investment-crowdfunding, restrictions, risks and protection schemes attached to their investments**

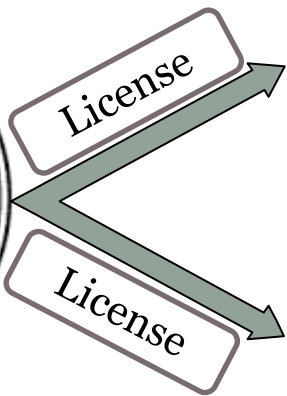
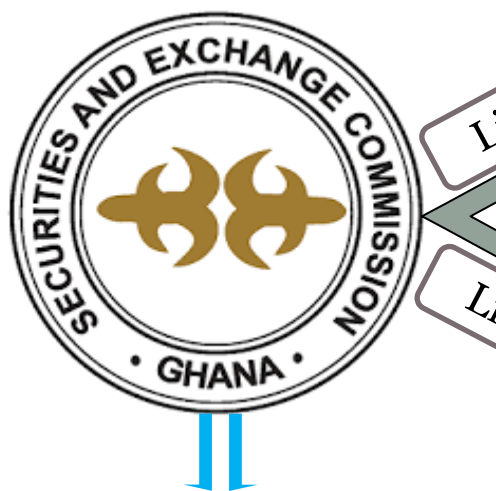
**Provide investors the opportunity to contribute to national economic development while earning decent returns on their investments**

**Provide guidance to industry players on licensing requirements, approval processes, among others. In particular, the model of allowing CIs to approve 3<sup>rd</sup> Party Offerings**

**Provide a structured framework for the establishment and regulation of Issuers, C'funding Intermediaries, Crowdfunding Platforms, Payment Providers etc**

**The scope of the Guidelines has detailed provisions to cover agricrodfunding (“soft commodities”).**

# Crowdfunding Intermediaries (CIs) to approve offering document for 3<sup>rd</sup> party Issuers, SEC to approve that of CIs



**Crowdfunding Platforms**



- Host Crowdfunding Campaigns
- Provide Payment Services
  
- Undertake DD on Issuers
- Review and Approve Offer Document of 3<sup>rd</sup> Party Issuers
- Notify SEC within 5 days of approving offer results
- Facilitate interactions between Issuers and Investors
- Perform KYC on investors
- Conduct post-offer inspections, and submit a copy of report to SEC within 2wks
- Submit half year and annual reports to the Commission
- Other duties specified by SEC

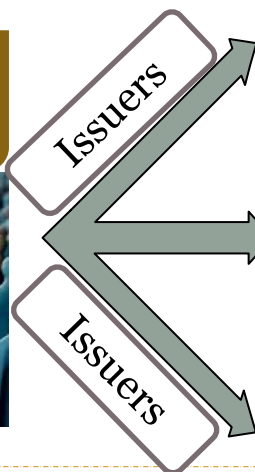
**Crowdfunding Intermediaries**



Approve Offer Document where the Crowdfunding Intermediary is the Issuer

Review and approve Offer Document for third party Issuers

**An Issuer shall be a public company**



Crowdfunding Intermediary

Special Purpose Vehicles

SMEs

**Guaranteeing of Returns is Strictly Prohibited**





# Companies prohibited from Crowdfunding

## Prohibited issuers

- Listed companies and their subsidiaries
- Companies with no specific business plan or a blind pool
- Financial institutions and their subsidiaries regulated by the SEC, NPRA, Bank of Ghana and NIC
- Companies with complex structures
- Entities specified by the Commission.

## Eligible investors

- An investor who has correctly categorized itself
- An investor that has acknowledged understanding and acceptance of risks involved
- An Investor that has signed all required KYC documents

**Retail investors shall not invest more than 10% of their gross annual income across all crowdfunding Offerings in a twelve (12) month period**

**During the offer period, investors shall only pay their funds electronically into the designated escrow accounts and not to the Issuer**

# Restrictions and maximum allowable issuances

## General Restrictions

- 1) An issuer shall not:
  - a) issue more than one investment instrument during a single Offering period
  - b) offer more favorable terms of investment to another investor in the six (6) months prior to the crowdfunding Offering, and in the twelve (12) months following the completion of a successful crowdfunding Offering;
  - c) host an Offering concurrently on multiple Crowdfunding Platforms.
- 2) An issuer shall not issue digital currencies or undertake Initial Coin Offerings under these Guidelines.

## Maximum issuance per Issuer

The maximum amount that can be raised by an issuer within a twelve month period shall be GHS 6,000,000 (US..... except where the funds are raised for agricultural commodities, physical assets or agricultural projects, in which case, the maximum amount that can be raised by an issuer within a twelve month period shall be GHS 10,000,000.

**A CI shall not allow an issuer to raise funds on its platform where the CI or any of its officers, directors, significant shareholders or associated persons beneficially own or control more than 5% of the securities of that issuer. Where the issuer is an SPV, the 5% shareholding threshold shall not apply**

# *Use of Special Purpose Vehicles (SPVs) to crowdfund*



The sole purpose of the vehicle is to invest in one or more companies, physical assets or agricultural commodities

The Offering documentation covers the investment vehicle and the underlying company or companies, physical assets or agricultural commodities

The CI provides educational materials to prospective retail investors to understand the contractual agreement and their rights therein

If the Vehicle is used to finance physical assets such as land, machinery, artwork, equipment and vehicles, the CI shall provide detailed information in the Offering document (Such as risks, location, feasibility study, etc)

The agreement between the vehicle and the prospective investors is provided as part of the Offering documentation

The eligible legal entities for investment vehicles to invest in are:

- Private companies limited by shares incorporated in Ghana;
- Public unlisted companies incorporated in Ghana;
- Micro, Small and Medium Enterprise (MSME) as prescribed by the Ghana Enterprise Agency Act, 2020 (Act 1043)
- Other entities which may be permitted by the Commission.

# Permissible Crowdfunding Investments

## Permissible Investments

- |  |   |
|--|---|
| <ul style="list-style-type: none"><li>a) Equity shares</li><li>b) Preference shares</li><li>c) Share option agreements</li><li>d) Convertible securities</li><li>e) Secured and unsecured debts</li><li>f) Profit-sharing agreements</li><li>g) Revenue-sharing agreements</li><li>h) Offtake agreements</li><li>i) Leasing agreements</li></ul> | <ul style="list-style-type: none"><li>j) Factoring agreements</li><li>k) Rental agreements</li><li>l) Repurchase or buy-back agreements</li><li>m) Redeemable equity agreements</li><li>n) Royalty agreements</li><li>o) Impact-linked investment agreements</li><li>p) Sustainable, social and green debts</li><li>q) Blended investment</li></ul> |
|--|---|

Where an investment instrument or activity requires approval from another regulator such approval shall be duly obtained.

## *Sanctions for non-compliance*

1. Where a person breaches or fails to comply with a Code, Directive, Guideline or Circular issued by the Commission, the Commission may:
  - a) take action set out in Section 118, 122 or 123 of SIA 2016;
  - b) impose an administrative penalty of not less than fifty penalty units and not more than twenty thousand penalty units; or
  - c) apply paragraphs (1) (a) and (b) above where the Commission considers necessary.

The SEC may, in addition to the above, impose any administrative penalty that it considers necessary or take any other remedial action that it considers appropriate in the interests of protecting investors and the integrity of the securities market.

Sections 209 (6) to (12) of the Act shall also apply in addition to the above in dealing with offences.

Where the breach constitutes a criminal offence under the Act or the Regulations, and the accused voluntarily makes an offer of compensation or restitution and reparation in writing to the SEC, the SEC shall, without instituting criminal proceedings under section 207, settle the offence in accordance with this section.



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# *Thank You!*

**Happy to take questions now?**

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