



INSTITUTE OF CHARTERED ACCOUNTANTS, GHANA

Accountancy House, off Trinity Avenue, Okponglo, East Legon P. O. Box GP 4268 Accra, Ghana
tel: 0544336701/2 | 0277801422/3/4 | email: info@icagh.com | www.icagh.org | GA - 416 - 9906

ICAG/PS/GDDEP/23/3

**The Chairman,
Practise Society,
ICAG**

Dear Sir,

CLASSIFICATION OF TREASURY BILLS FOR FINANCIAL REPORTING PURPOSES


We refer to our 2nd Industry Discussion Paper on the financial reporting implications of the Domestic Debt Exchange (DDE) Issue Number 9 (3) and give further direction on the classification of Treasury Bills.

We stated that Treasury Bills (T-Bills) which are short-term in nature and were exempted from the Domestic Debt Exchange (DDE) programme, are expected to be classified in stage 2 and lifetime Expected Credit Loss (ECL) assessed. Banks were then asked to assess cash shortfalls on these instruments in line with their credit risk management policies and recognise an impairment allowance greater than zero. Subsequent to this position, the Institute has observed the following:

1. Interest rate on 91-day T-bill has significantly reduced from 36.1825% on 5th December 2022 to 18.5289% as of 20th March 2023.
2. Interest rate on 182-day T-bill has significantly reduced from 36.7277% on 5th December 2022 to 21.2710% as of 20th March 2023.
3. Interest rate on 364-day T-bill has significantly reduced from 36.1871% on 5th December 2022 to 26.8239% as of 13th March 2023.
4. Interest rates on the money market have witnessed a significant fall. From a high of 36%, to about 22% on the average.
5. Notwithstanding the significant fall in interest rates, the latest auction by the BoG saw an oversubscription of about 40% on the 91-day T-bill.
6. The auctioning results by the Bank of Ghana, give a clear indication that demand for the 91-day T-bill is very high, pushing the yield down significantly.
7. The counterparty did not default during the period under consideration.

While the above may not have a direct impact on staging at 31 December 2022, it may impact Probability of Default (PD) and Loss Given Defaults (LGD) used in assessing ECL on these exposures.

There have been significant concerns raised around our initial proposal for T-Bills to be classified at Stage 2 (non-performing) at minimum. The Institute of Chartered Accountants, Ghana (ICAG) have therefore reassessed this position and would like to notify practitioners as follows:


**PRESIDENT
INSTITUTE OF CHARTERED
ACCOUNTANTS (GHANA)
P. O. BOX 4268 ACCRA**

Our International
Affiliates



ICAG

- Practitioners should review the Significant Increase in Credit Risk (SICR) policies of the various institutions in line with IFRS 9 and ensure Treasury Bills are assessed in line with these policies. Given that various institutions would have various triggers for SICR designation, it is not practical to determine a blanket stage for all clients and for different mix of Treasury Bill portfolios.
- Practitioners should assess the SICR events on the Treasury Bills on a case-by-case basis considering relevant factors including the dates of purchase, the clients' credit risk assessment of the counter party at the date of purchase and the credit risk assessment at the year end.


Expected Credit Loss (ECL) impacts of staging for the T-Bills are generally not expected to be materially different given the short-term nature of these instruments which will imply a lifetime assessment irrespective of the staging conclusions that are arrived at.

This paper updates earlier submissions made towards compliance with financial reporting standards and supports financial stability of businesses in Ghana. It is addressed to all practitioners and preparers of financial statements.

Should you require further explanation, do not hesitate to contact the undersigned.

Thank you.

Yours faithfully,


**PRESIDENT
INSTITUTE OF CHARTERED
ACCOUNTANTS (GHANA)
P. O. BOX 4268 ACCRA**

Sena Dake

President, ICA Ghana

**Cc. The Governor, Bank of Ghana
The First Deputy Governor, Bank of Ghana
The Second Deputy Governor, Bank of Ghana
Head of Banking Supervision, Bank of Ghana
The Chief Executive Officer, Ghana Association of Bankers
The Commissioner, National Insurance Commission
The Deputy Commissioner, National Insurance Commission**