



Corporate Governance in Action

Understanding the Work of Mutual Fund Boards at Databank

A company's success and integrity rest significantly on the strength of its governance. At the heart of that governance is the Board of Directors – a group entrusted with safeguarding the company's purpose, performance, and the interests of its shareholders.

Why a Board of Directors?

The Securities & Exchange Commission requires all market operators in Ghana's investment space to have an independent Board of Directors. Apart from being a regulatory requirement, Boards exist for the shareholders. The board is responsible for ensuring the organisation operates legally and in the best interests of shareholders and other stakeholders. It functions independently from company management and is not involved in daily operations.

The Role of Mutual Fund Boards

- 1 Oversight and Governance:** The Board is responsible for ensuring that the mutual fund operates in compliance with all regulatory requirements. They develop key policies that guide the management and operation of the fund.
- 2 Risk Management:** The Board identifies potential risks to the fund and ensures that systems are in place to manage them effectively.
- 3 Review and Approval of Investment Strategies:** Board members assess and approve the fund's investment objectives and strategies to ensure they align with the fund's mandate.
- 4 Performance Monitoring:** The Board regularly reviews the fund's performance against benchmarks and stated objectives. It intervenes where necessary to address underperformance or deviations from strategy.
- 5 Protection of Shareholder Interests:** Board members serve as independent voices to represent and protect the interests of shareholders. They ensure transparency and accountability in all aspects of fund governance.

Per the requirements of the Securities and Exchange Commission, all market operators must form an independent Board of Directors with at least three (3) members "who have the integrity, skills, experience and qualifications necessary for the business undertaken by the market operator."¹

You and the Board

A strong Board of Directors is the vital link between shareholders and the long-term success of a company. As a shareholder, you also have a role to play in empowering your Board. You can do this by electing capable and independent board members who bring value to the table and holding the board to high standards. Together, you help build a culture of transparency and trust.

¹*Securities Industry (Market Operators) (Conduct of Business) Regulations, 2017 (L.I. 2243), Part 2, Regulation 5, Ghana.*

