

# COMPLIANCE

10

DRAFTS

SECURITIES  
INDUSTRY LAWS

GUIDELINES

## 12 questions to ask before investing

### Is your company compliant with the regulator?

*"We are not so free that we do not have to follow rules, and laws, and regulations. Those are important."*

*– Martha Stewart*

#### What is compliance and why do we need it?

Compliance with regulatory guidelines is key in the sustainability of an investment. When we say an institution (in this case, investment firm) is compliant, it means they adhere to the rules set by the regulator (i.e., the Securities and Exchange Commission).

Regulation from the Securities and Exchange Commission comes in different forms: Drafts, Securities Industry Laws, Circulars, Guidelines, Directives, and Codes. A comprehensive list of these laws and regulations are available on the SEC website at [www.sec.gov.gh](http://www.sec.gov.gh).

These laws cover a wide range of issues from the appointment of officers, licensing, management of mutual funds and unit trusts, money laundering, auditing, and the organization of Annual General Meetings, to name a few.

Although you may not be able to fully grasp all that is in all the laws, you can still appreciate why these guidelines help to make the industry sane and safe. Like we established in our previous article on the role of the regulator, the compliance of an investment firm is ultimately for your good, as an investor. The end goal is to ensure that your money is protected and has the opportunity to grow under safe conditions.

#### How do you know if a company is compliant?

The SEC periodically reviews its list of companies in good standing and you should do well to regularly check this list. They are listed under "Licensees" on the SEC website.

You can also check to see if any laws are being violated by your investment company. It may seem like a Herculean task to have all the laws at your tips, and may not even be necessary to do, but it is essential to know the ones that are relevant to you. For example, your investment company is not mandated to promise you a fixed rate of return if you are investing in a mutual fund. The company is also expected to provide periodic reports on the performance of the fund. These are two of the basic laws that an investor

must be aware of. If your investment company, for example, promises you that a mutual fund will make a return of x% each month, it is a warning sign that you could be treading on dangerous ground and should probably desist from investing with the company.

You may have heard the saying before that, *"Rules are meant to be broken"*, but this is certainly not the case when it comes to regulation for your investment company. After all, it has to do with your hard-earned money. If, for any reason, you suspect that a particular investment company is not compliant, you can contact the Securities and Exchange Commission.

Wondering if Databank is compliant with the regulator? You can search for us with the name **"Databank Asset Management Services Ltd."** on the SEC website. For the past 30 years, we have worked hard to ensure that we are in the good books of our regulator and we intend to do our utmost to keep this reputation and to protect your funds.

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