

Association of Global Custodians¹
Middle East and Africa Focus Committee (“AGC ME&A”);
Subject to Supplemental Comments

Central Bank of Bahrain
PO Box 27
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Diplomatic Area
Block 317, Road 1702, Building 96
Manama
Kingdom of Bahrain

consultation@cbb.gov.bh

Dear Sir,

Re: Trade and Custody accounts in Bahrain

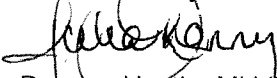
The AGC ME&A would like to take the opportunity to thank you for your recent correspondence dated 22 May 2018 and in response to our earlier letter of 10 April 2018 concerning the existing trade and settlement model in Bahrain.

We noted the operation of the Account Override mechanism being available, however such mechanism is not an option unfortunately as it does not solve the core fundamental concern that the shares remain in the broker account and not in the account and control of the custodian. This therefore does not address the significant risk to the custodian and its underlying clients.

We are very pleased to hear that a revised model is looking to be implemented in 2018 and we would like to understand the timeframe that you will be working on to achieve this. In terms of leveraging existing markets, we have previously mentioned the models adopted in Jordan, Saudi Arabia and Kuwait and the importance of aligning to international standards as a guide but would also be happy to discuss further if that would assist.

We reiterate that we support the adoption of a settlement model (including removing the manual intervention currently required by the custodian and broker) that ensures that the custodian retained control over the assets until settlement date and made provision for the custodian to reject a broker’s instruction after the broker was obligated to settle the trade.

Yours sincerely,



Prepared by the Middle East and Africa Association of Global Custodian Committee,
Julia McKenny, Chairperson. May 2018

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¹ The Association of Global Custodians is an informal group of 12 financial institutions that provide securities safekeeping services and asset-servicing functions to primarily institutional cross-border investors worldwide. As a non-partisan advocacy organization, the Association represents members’ common interests on regulatory and market structure matters through comment letters, white papers and interaction with legislative and regulatory authorities and financial industry organizations around the globe. The members of the Association of Global Custodians are: BNP Paribas; BNY Mellon; Brown Brothers Harriman & Co; Citibank, N.A.; Deutsche Bank; HSBC Securities Services; JP Morgan; Northern Trust; RBC Investor & Treasury Services; Skandinaviska Enskilda Banken; Standard Chartered Bank; and State Street Bank and Trust Company. For more information visit www.theagc.com.