

Association of Global Custodians¹

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

The Chief Executive Officer
Dar Es Salaam Stock Exchange
Ohio Street
P.O. Box 70081
Dar Es Salaam
Tanzania

Dear Sir

The AGC ME&A would like to thank DSE for recent directive to improve efficiency in post trade process and address concerns of Global investors.

The AGC ME&A committee would like to suggest the following amendments for your consideration. The AGC ME&A believe that such amendments will align post trade process in Tanzania with best practices in other African markets and render them more practical for the global Investors, especially those who are investing through global custodians.

Recommendations and Matters for Consideration

A. Equity Sell - Process number 3:

This process requires a custodian to confirm in writing to a broker that instructions to purchase or sell securities have been received from its client and allow the broker to trade on behalf of client. This has to happen before trade date.

The process number 3 requires a global investor to send two instructions (Pre-trade and post-trade) to their Global custodian who in turn issue instructions to the local custodian in Tanzania. This requirement introduces an additional step requiring the inclusion of a manual handling step into the process.

In the majority of emerging markets the process and the instruction flow is as follows:

1. The Investor instructs their Global custodian on receipt of contract note from local broker post execution of trade in local market.

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 organisation, the Association represents members' common interests on regulatory and market structure matters through comment letters, white papers and interaction with legislative and regulative authorities and financial industry organisations 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.

2. The Local broker can only issue a contract note to the investor after the trade has been executed on the Automated Trading System (ATS).
3. The Global Custodian can only issue settlement instructions to local custodian after receipt instructions from its underlying client.

In consideration of the above, the AGC ME&A would request the DSE to waive process number 3 as it applies to equity sales requiring pre-trade instructions from local custodian/ Global custodian.

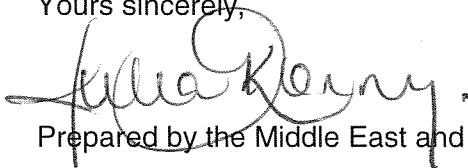
B. Negative Affirmation

In the new settlement guidelines, there is no option for online negative affirmation of a trade via a confirmation system although DSE allows custodians to reject the trade via written notification before 12.00pm on T+2. Current guideline commits the local custodian (on behalf of Global custodian) to settle a trade without confirmation of the alleged trade in the market.

In the majority of markets, local custodians are allowed to negatively affirm a trade (in case of mismatch with client instructions) via trade confirmation system instead of written notification from custodian. In Kenya, the Central Depository & Settlement Corporation Ltd (CDSC) is currently implementing an online negative affirmation system. The AGC ME&A would strongly request that best practices from other markets in Africa are adopted by the DSE. Such adoption would not only result in the standardisation of processes, thereby supporting the proposed East African Trade integrations but also improve the operating workflow between foreign investor, global custodian and local custodian.

We appreciate DSE's recognition of significant and positive role played by cross border investors in the Tanzania capital and stock markets. As representatives of cross border investors, the AGC ME&A committee take this opportunity to convey members' views on these important matters. Members will be glad to meet with you to further discuss the issues identified.

Yours sincerely,



Prepared by the Middle East and Africa Committee,

Julia McKenny, Chairperson. 14 July 2017

Email: julia.mckenny@sc.com