

THE ASSOCIATION OF GLOBAL CUSTODIANS

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**DELIVERED BY EMAIL**

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Re: Simplification of market entry and depository account opening requirements

Dear Sirs

The Association of Global Custodians (AGC) is an informal group of 12 financial institutions that provide securities safekeeping services and asset-servicing functions primarily to institutional cross-border investors worldwide. As a non-partisan advocacy organization, the AGC 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. We write to request the simplification and harmonization of market entry and depository account opening requirements in the Gulf Cooperation Council (GCC) countries.

The market entry and depository account opening requirements for foreign investors across the GCC region are varied and perceived to be complex by investors who would benefit from simpler, cost effective and quicker access into these markets. To encourage and attract more foreign investors in the GCC, we request for further simplification of market entry and

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depository account opening in each market. We also believe there may be opportunity to adopt common processes and standards across the region. Regulatory harmonization tends to reduce the compliance burden for all industry participants and speed up market entry for investors. We do appreciate the effort some markets have already made in this regard and it would be good to see broader adoption of more simplified and harmonized market access requirements across the region.

The following two observations illustrate the need for both simplification and harmonization. Firstly, investors report that they find navigating market entry and depository account opening in each investment market difficult because the documents required vary from country to country in the GCC region. Secondly, the various documents must be submitted in original legalised form for depository account opening. The widely accepted forms of legalisation are notarisation or consularisation. These requirements are more common in GCC than other comparable region and they have financial and practical implications for both investors and intermediaries. Since 2020, movement restrictions in various countries have made it difficult, if not impossible to have documents legalised. Under these conditions account opening was only possible due to temporary relaxation of regulatory requirements.

It would be beneficial to investors and their custodians if local regulators were able to reduce the requirements for legalised documentation and also explore opportunities through use of digital technology to simplify the account opening process.

A good example of simplified market entry processes/standards in the GCC can be found in the United Arab Emirates (UAE) who offers the most simplified market entry and depository account opening in the region. This simplification has reduced investors' efforts and costs to open accounts in the UAE. The local CSD regulations limit account opening requirements to the following:

1. Scanned copies of establishment documents.
2. Scanned copy of the Power of Attorney (POA) authorizing the local custodian to act on behalf of the account owner/global custodian. While a scanned POA is accepted in UAE, a physical legalised copy of the POA might be requested in certain circumstances (upon request of regulators/depositories). As such, some AGC members prefer to deliver a legalized POA at account opening in anticipation of possible future requirements.

The UAE can offer this simplified approach because it relies on the following operational realities that mitigate the main risks in account opening: 1) accounts are typically opened for clients of global custodians (global custodians who are regulated financial institutions), and 2) local CSD regulation permits adopting a simplified account opening approach, under the premise that the proper due diligence has already been performed by the global custodian and/or local subcustodian. Consequently, account opening requirements in the UAE are limited to scanned copies of establishment documents. This simplification has reduced investors' efforts and cost to open accounts in UAE

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We request each GCC market to consider if the UAE model can be replicated in their respective countries as it will greatly simplify the market entry and depository account opening for investors. We also request regional regulators to consider adopting common regulatory standards, procedures, and practices so that industry players and investors have the assurance that the same risks in account opening and market entry receive the same regulatory consideration and oversight across all GCC countries.

We seek consideration of market entry and account opening approaches that are similar to the risk adjusted approach of the UAE market infrastructure entities. Further, we request that regulators across the region consider permanently withdrawing document legalisation requirements. It is our view that a harmonized regulatory environment would be beneficial to all stakeholders. The suggestions set out in this letter reflect the perspective of our members and recognizing that they may not align with regulatory or policy positions in any market, we request consideration of these views in this context. Please be assured that our members are committed to engaging honestly and constructively with policy makers and regulators and will respect any decisions taken on the matters addressed in this letter. The AGC members are available to address these matters in person. If you would like to discuss this matter, please contact the undersigned.

The AGC ME&A communication details are as follows:

Catherine Tinavapi  
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Sincerely,



**CT Tinavapi**

The Association of Global Custodians  
By: Catherine Tinavapi