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19 January 2022

Chief Operations Officer
Bahrain Clear
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Re: Delivery-versus-payment enhancement initiative

Dear Addulla Jaffar Abdin:

We are writing to follow up on our letter dated 11 September 2020 in which we sought to register our support for the DVP enhancement initiatives as well as our concerns and expectation for dual account reform and the introduction of trade rejection procedures.

We understand that the matter is receiving your attention and that there have been several market initiatives that have taken precedence over this matter. While we are encouraged by various updates from our members and local custodians that confirm that there is work underway to introduce relevant reforms, we are concerned that in the time since we formally addressed this matter to you there have been formal announcements of market changes in the direction of the proposed reforms. The concerns that we set out in our last letter still stand: Investors in Bahrain are still required to maintain both custody and trading accounts and to carry the risks associated with this practice. The details of DVP enhancement project have not been officially exposed and similarly the trade rejection procedures have not been discussed with market stakeholders.

In the circumstances, we wish to reiterate the recommendations that we set out in the September 2020 letter. We would welcome the adoption of a settlement model (including removing the manual intervention currently required by the custodian and broker) that ensures that the custodian retains control over the assets until settlement date, makes

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provision for the custodian to reject a broker's instruction, and ensures that true DVP is achieved at settlement. The reasons underlying these recommendations are more fully set out in the earlier letter and we will not restate them here. In addition to previous recommendations we urge that these reforms be prioritised for introduction without further delay.

We welcome your engagement with us on this matter. The AGC ME&A communication details are as follows:

Catherine Tinavapi
Standard Chartered Bank
Chairperson of AGC ME&A Committee
Email: catherine.tinavapi@sc.com

Sincerely,



CT Tinavapi

The Association of Global Custodians
By: Catherine Tinavapi