

THE ASSOCIATION OF GLOBAL CUSTODIANS

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19 January 2022

Kuwait Clearing Company
Assistant Manager Clearing & Settlement Dept - halqatami@maqasa.com

Copy to

Capital Markets Authority Kuwait
Director of Markets Regulation Department: Mr. Abdulrahman Al Failakawi
aalfailakawi@cma.gov.kw

Head of Markets Sector: Mr. Muthana Al Salehmalsaleh@cma.gov.kw

Re: Request for review of safekeeping and transaction fees

Dear sir

The Association of Global Custodians (AGC) 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.

Our members have highlighted concerns regarding the fees charged by the Kuwait Clearing Company (KCC). Therefore, we write to raise these concerns directly with you, outline the impact these high fees have on portfolio investors in the market and request a review of the fee approach.

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As you are aware, KCC fees include safekeeping fees, charged at 0.0625% per annum and transaction fees of KWD5 per execution/order in addition to the KWD 0.5 per order execution, included in the settlement amount. The market practice is to add central securities depository (CSD) fees to standard broker commissions. Our members have concerns with both the safekeeping and transaction fees. Firstly, KCC safekeeping fees are significantly higher than those charged in other GCC markets. Secondly, the transaction fees are unique in the region, and in this regard, the KCC market is an 'outlier'.

A recent analysis revealed that investors now pay up to KWD75 (USD250) in transaction fees for each trade carried out in the market because transaction fees apply at every instance of order execution. Brokers execute multiple orders to make up a single trade leading to high transaction fees. Notably, the increase in volumes triggered the inclusion of Kuwait in the MSCI and FTSE indices, contributed to a significant rise in transaction fees. The current fee model is sensitive to volume and liquidity fluctuations in ways that may make the market less attractive to investors.

To avoid the situation of foreign investors leaving the market, we strongly urge the KCC to review the current fee model and reconsider both the level of the safekeeping fee and the relevance of the transaction fee. We propose that both these fees be either reduced or abolished altogether.

We would welcome the opportunity to discuss this issue in more detail if required, but in the meantime, we would be grateful for any feedback you can provide. 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