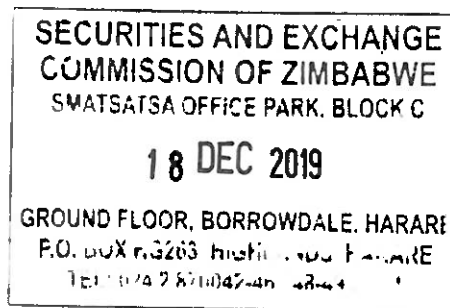


**Association of Global Custodians¹
Middle East and Africa Focus Committee ("AGC ME&A");
Subject to Supplemental Comments**

Head of Legal Affairs
Securities and Exchange Commission of Zimbabwe
Block C
Smatsatsa Office Park
Borrowdale Road
Borrowdale
Harare

Date: 17 December 2019

Att: Ms Lycinah Madende



RE: Quilter Holdings: Concern regarding irregular registration and safekeeping arrangements

The Association of Global Custodians Middle East & Africa committee ("AGC ME&A") was established within the Association of Global Custodians to serve as a regional industry body that will interact with regional regulators, policy makers and national supervisors through commentary and advocacy regarding recommended asset safekeeping-custody services and "sound practices" in related aspects of the global financial industry.

The members of AGC ME&A offer banking and securities services products to clients who originate from several jurisdictions across the globe. In Zimbabwe, AGC ME&A members utilize the custody services of either Stanbic Bank Zimbabwe Limited and Standard Chartered Bank Zimbabwe to hold client's investments in the market.

As you will recall, in 2018 Quilter Plc (previously Old Mutual Wealth) separated from the Old Mutual group of companies. As part of the separation, Old Mutual Plc's (Old Mutual) shareholders as at that date received one Quilter PLC (Quilter) ordinary share for every three Old Mutual shares held. You will also recall that Quilter was launched with an initial public offering on the London Stock Exchange (LSE) and a secondary inward listing on the Johannesburg Stock Exchange (JSE) and unlike Old Mutual, Quilter had no listing on the Zimbabwe Stock Exchange (ZSE). Accordingly, arrangements were made for Old Mutual's ZSE shareholders (i.e. those holding Old Mutual shares on ZSE) to receive their Quilter shares on JSE through the registrar and custodian Link Market Services. These shares were and continue to be registered in the name of Corpserve Nominees. Corpserve Nominees maintains a separate register of the Quilter shareholders who got exposure into the counter through ZSE.

Some AGC ME&A members, hold custody of Quilter shares on behalf of their clients. These client assets are held in strict accordance with various client asset safety rules that emphasise, among other stipulations, that custodians must be properly authorised and must always retain control of client assets. This means, in some part, that the custody function must be performed by the client's appointed custodian or by another custodian that has been properly selected and appointed by the client's custodian according to certain criteria. Accordingly, the registration of client assets must reflect the same concern for keeping the chain of approved intermediaries unbroken. In the circumstances, neither Link Market Services nor Corpserve Nominees have been selected or appointed by AGC ME&A members for the purposes

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.


of holding client assets. The custody arrangements for Quilter shares, are for these reasons, irregular. AGC ME&A members are constrained to ensure that irregularities such as these are rectified and not allowed to persist or recur.

The arrangements incorporate exchange control measures as they relate to the cross-border movement of portfolio investments. Accordingly, local custodians have been addressing the concerns set out above to the Reserve Bank of Zimbabwe since November 2018. To date these approaches have not progressed the matter. It is a real concern that AGC ME&A members face regulatory compliance risk if the arrangements are not reviewed to allow them to make use of appointed custodians for the custody of these Quilter shares in a way that supports compliance with relevant exchange control requirements.

We write, therefore, to bring these concerns to your attention and to request that you address the issue with the Reserve Bank of Zimbabwe on our behalf and on behalf of the securities industries. We are strengthened in conviction that there is need for closer regulatory coordination in the market by our recent experiences with difficulties implementing various exchange control directives in the capital markets environment over the last 3 years. During this period, it has been the experience of our members that whenever new government policy, legislation or regulations are implemented, capital market operators employ a reactive posture that is characterised by attempts to individually interpret and implement the new conditions and requirements after they come into operation. As a result, AGC ME&A members have come to expect a period of compliance and operational uncertainty following legislative or regulatory change in Zimbabwe. This situation is unsatisfactory. The AGC ME&A take the view that effective risk management in the legislative and policy arena requires a systematic and structured approach that is proactive, understands the policy intent of government; considers the expected impact on the business; and has credible alternatives to achieve the policy intent wherever possible.

We would appreciate the opportunity to discuss this matter with you in more detail at your offices. Please note that the AGC ME&A communication details for correspondence are as follows:

Catherine Tinavapi
Standard Chartered Bank
Chairperson of AGC Middle East and Africa Committee
Email: catherine.tinavapi@sc.com


Prepared by the Middle East and Africa Committee