

BACB



البنك التجاري العربي البريطاني

DEBT SECURITIES

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January 2009

British Arab Commercial Bank

8-10 Mansion House Place
London EC4N 8BJ, UK
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Bond Execution and Custody Services

BACB offer a bespoke Bond Execution and Custody service structured around our client's preferences, for select wholesale clients.

Priced competitively we will:

- Buy any available bond or other debt instrument at the request of our client and arrange settlement in accordance with market practice
- Sell any debt security held in custody, at the client's request, subject to there being a market for the security
- Take and execute orders to buy or sell, enabling the client to deal at pre-chosen levels
- Hold the security in custody
- Provide regular portfolio statements to enable the client to monitor and reconcile their holdings
- Manage ownership of the securities including coupon claims, and redemptions
- Provide indicative valuations upon request
- Hedging products can be tailored to specific holdings for clients wishing to move fixed interest rate exposure to floating (or vice versa), or for cross currency exposures.

The custody arrangements are governed by a custody agreement signed in advance by the client. A Terms of Business letter issued to clients covers trading activity.

BACB is authorised by the Financial Services Authority.

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Repurchase Agreements and Reverse Repurchase Agreements

The Bank offers a Repo service to customers that maintain custody portfolios with BACB. This allows customers to release cash tied up in the Bond portfolio and possibly also to obtain increased returns. BACB may choose to enter into two transactions on a back-to-back basis, one with our custody customer (a “Reverse Repo”) and one with a Market counterparty that has a demand for that particular scrip (a “Repo”). Alternatively, the bank may not lay off the transaction with a market counterparty, in which case only the single Reverse Repo transaction will be undertaken.

In a Reverse Repo, the bank lends money to the counterparty collateralised by the debt security subject to Repo. Under a Repo the bank takes a deposit, and gives a debt security as collateral. Operational risks arise on both transactions. In the case of a Reverse Repo there is a credit risk, albeit collateralised. In an ordinary Repo the only credit risk is the residual amount that may arise if the market value of the security given rises above the amount of the deposit taken.

For both Repo and Reverse Repo counterparties, credit approval must be obtained to cover the type and size of expected transactions.

BACB only undertakes repurchase and reverse repurchase agreements for clients that can be classified as market counterparties in accordance with FSA rules.

Before any Repo/Reverse Repo transactions are undertaken our counterparties (both Repo and Reverse Repo) **MUST** sign the standard ISMA Global Repurchase Master Agreement (GRMA) that covers Repo/Reverse Repo transactions. A certificate of legal validity must be obtained before any trades are agreed for any overseas, non-bank counterparties to ensure that the customer is empowered to enter into the documentation.

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Stock Lending

Customers of our Custodial Service are also able to use our Stock Lending service, where they may earn additional revenue by “lending their holdings” for short terms to entities looking to cover oversold positions. In the same way as not all securities are attractive for Repurchase agreements, so the demand to borrow a particular security will vary depending upon the underlying issuer/guarantor and the prevailing general market. However, for those in demand the stock lending service enables the client to retain ownership of the security and earn extra income from the borrower.

As in the case of Repurchase Agreements, the stock lending is account entry driven, and will involve physical movement of the actual security.

To avail of this service, clients have to sign a Stock Lending Agreement with BACB. Once signed, the client can at any time ask BACB to survey the market for potential borrowers. To do this BACB will contact a major market participant with a close knowledge of those likely to have an interest. Because of our association, we prefer to use HSBC, but others may be used from time to time.

BACB does not actually effect a trade with the customer, but simply annotates our records that these stocks are temporarily not under our custody. BACB will collect and pay the income earned from lending the stock.

BACB only undertakes stock lending transactions for clients that can be classified as market counterparties in accordance with FSA rules.

No official agreements need to be signed, although BACB has to comply with the statutory ‘Know Your Customer’ (KYC) regulations

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