

Establishing an employee savings scheme

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Employee savings schemes (ESSs) are pooled investment accounts, with contributions from employees and employers. As an added benefit, ESSs can help attract talent and encourage long-term employment. Employees are usually entitled to an employer's contribution after a minimum service period and may be allowed to withdraw a portion of their contribution as a loan for specified purposes. Contributions tend to be invested in liquid investments, such as treasury bonds or bank deposits. Leading practice for schemes with significant investments is to appoint external investment managers who may invest in alternate investment products – yielding higher returns but at a higher risk.

How should ESSs be set up?

In the past, ESSs - particularly in the GCC - were set up as an extension to an employer's main business, identified and accounted separately, and administered by a committee or the in-house HR function. While ESSs are relatively uncomplicated to administer, they are not seen as effective motivators as their benefits are not linked to employee or company performance. As labour markets have changed and regulators have intensified their focus across business ecosystems, current leading practice is for savings schemes with a large number of members and significant investments to operate under a trust - with funds derecognised from employers' balance sheets and held in a separate legal vehicle. In Bahrain, trusts are formed under the kingdom's trust law. Administrators - trustees - are licensed and regulated by the Central Bank of Bahrain (CBB) and deeds are filed with the CBB. This gives beneficiaries significant comfort: funds are ringfenced and objectively managed by a specialised, independent and regulated party.

What approvals are required?

Businesses require board and shareholder approval of any employee benefit plan. In addition, institutions licensed by the CBB are required to obtain CBB approval.

Who is Keypoint Trust?

Licensed by the CBB as a trust service provider, Keypoint Trust B.S.C. (closed) has offered trust advisory since 2009, establishing and administering a range of trusts including employee benefit plans – such as employee savings schemes and employee share ownership plans (ESOPs); trusts for debt realisation, restructuring and securitisation programmes; real estate investment trusts (REITs); and family trusts.

How can Keypoint Trust help?

Keypoint Trust, using its deep expertise and experience, can:

- Advise on the most suitable employee savings scheme, depending on the specific needs of employers and employees
- Draft the scheme's rules, terms and conditions
- Draft trust deeds
- Set up a trust
- Administer schemes using tested and tried proprietary systems, including maintaining books of accounts and preparing annual financial statements

Contact us to further explore how we can help your business establish an ESS - and to explore the advantages of establishing an ESS as a trust.

Contact us:



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