

## Awards all around for Qatar's financial markets

### QATAR

By Amjad Hussain

**Morgan Stanley Capital International (MSCI) has updated Qatar from frontier to emerging market status, to reflect how the Qatar Exchange is reaching the stringent requirements of MSCI; Qatar Exchange's role in developing the requisite market infrastructure; and the implementation of a number of important projects and initiatives to open the Qatari bourse to foreign investment. Qatar Exchange has a market cap of over QAR512 billion (US\$140.54 billion) and is one of the leading stock exchanges in the GCC and MENA region.**

The Qatar Central Bank (QCB) has issued a directive to restrict banks' total investment portfolios in equities and debt instruments to 25% of capital from the previously allowed 30% each. The recent decision also sets new limits for investment in individual companies and has introduced a 15% ceiling for total investment in securities outside of Qatar. There are conflicting views as to the outcome of this decision, with some suggesting that the timing of the decision is not ideal because it might derail Qatar's development ambitions and will deflect the significant impetus from the MSCI upgrade.

On the other hand, it is anticipated that the decision will drive more bank investment into the country's capital markets, mostly into government securities. The new regulation is also

likely to increase demand for domestic government bonds, which could lead to a lowering of yields. The regulation will also encourage banks to increase their lending portfolios to protect their margins and also to issue fresh bonds and Sukuk at lower yields. The QCB is planning to issue QAR1 billion (US\$274.5 million) in Sukuk and QAR3 billion (US\$823.5 million)-worth of bonds which should generate considerable interest from banks.

QIB and Barwa Bank recently provided Maran Nakilat Company, a joint venture between shipping company Nakilat and Maran Ventures set up in 2005, with a US\$662.4 million Murabahah financing facility. The facility will help Maran Nakilat Company to expand its fleet of liquefied natural gas carriers to six vessels from four with the delivery expected in early 2014, while allowing Nakilat to raise its ownership of 12% in the joint venture company up to 21%.

Barwa Bank's first equity fund, The First Investment GCC Equity Opportunities Fund (Q), has seen a 11.5% increase since the beginning of the year. The fund has achieved robust returns with assets under management totaling over QAR100 million (US\$27.5 million). The fund is a 100% Shariah compliant, open-ended collective investment scheme and is seeking to achieve long-term capital growth through a broadly diversified regional portfolio.

Qatar First Bank has launched the World Elite MasterCard Charge Card, the first Shariah compliant metal charge card in

Qatar and the MENA region. The card is accepted at more than 35.9 million outlets across more than 211 countries and a percentage of each customer's spending will be donated to Qatar-based charities — among them the Sheikh Thani bin Abdullah Foundation for Humanitarian Services. The card will be offered by invitation only.

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There is some encouragement to be had from the increased level of intra-regional business, as corporations seek to expand beyond their borders and governments back consolidation in certain sectors. Overall, Qatar's cash levels place it at a major advantage over its less liquid neighbors in competing for assets. This is likely to generate local activity. ☺

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