MARMORE MENA INTELLIGENCE A MARKAZ subsidiary
Q4, 2014 | Issue No. 18

Marmore Bulletin

Featured Interview / Crowdfunding

With Dr. Shehab Marzban, Co-founder and Managing Partner of Shekra Crowdfunding

Expert Opinion

From Manaf Al-Hajeri, CEO, Kuwait Financial Centre 'Markaz'

Cheaper Oil – Is it here to stay?

A discussion based on Markaz economic research

GCC Low Cost Carriers (LCC)

Family Businesses in the GCC

Saudi Arabian Markets Set to Open – What are its Implications?

Policy Options to Involve Kuwaitis in the Private Labor Market

Contents

Foreword	4
Featured Interview – Crowdfunding	5
Expert Opinion	9
Cheaper Oil – Is it here to stay?	13
GCC Low Cost Carriers (LCC)	16
Family Businesses in the GCC	18
Saudi Arabian Markets Set to Open – What are its Implications?	20
Policy Options to Involve Kuwaitis in the Private Labor Market	23
GCC Regulatory Update – Q4 2014	26
MENA Data at a Glance	31
Our Research Library	32

Foreword

Welcome to Q4 2014 edition of The Marmore Bulletin

The year 2014 in the GCC has been marked by efforts towards more private sector based economic diversification, in which SMEs feature significantly. Therefore, we bring to you insights from Dr. Shehab Marzban, Co-founder and Managing Partner of Egypt-based Shekra Crowdfunding. He explains how crowdfunding as a concept can help in the financing of SMEs. In another expert interview, Mr. Manaf Al-Hajri, CEO of Markaz, talks about the type of policy actions and reforms necessary to steer Kuwait through this period of global economic uncertainty.

As part of research highlights, we include an analysis in this edition of the recent fall in oil prices. With the on-going oil price rout in the world markets, there is understandable anxiety as to what the future might hold for the pricing of this strategic commodity. Our research analyses the underlying trends in an attempt to make sense of the rapidly evolving events in the oil market. It can only be said that the oil prices may still hold surprises for us, while creating several transformative developments in its wake.

We have also provided a brief overview of the Low Cost Airlines sector in the GCC region. An emerging sector, GCC low cost airlines have the potential to grow strongly if supported by suitable regulatory frameworks. Meanwhile, in another research brief, we have analyzed the space of family businesses in the GCC, which account for over 90% of the private sector in the region. The theme is that effective succession planning steps are necessary for growing upon extant success levels.

The implications of the opening up of Saudi Arabia's stock market are momentous. The largest and the oldest in the region, the opening up of the Kingdom's stock market could bring in as much as USD 20 billion into the bourse on an immediate basis. However, we note that there are several steps to be taken before the inclusion of Saudi Arabia into the MSCI Emerging market index.

We round up this edition, with a look at some recent regulatory changes, reforms and other developments of note in the MENA region.

As ever, we are eager to hear your views and suggestions on this quarter's edition. If you would like to know more about any of the topics covered, please feel free to get in touch with us.

In closing, we extend to you our wishes for a very happy and prosperous New Year 2015.

Featured Interview

Interview with Dr. Shehab Marzban, Co-founder and Managing Partner of Shekra Crowdfunding

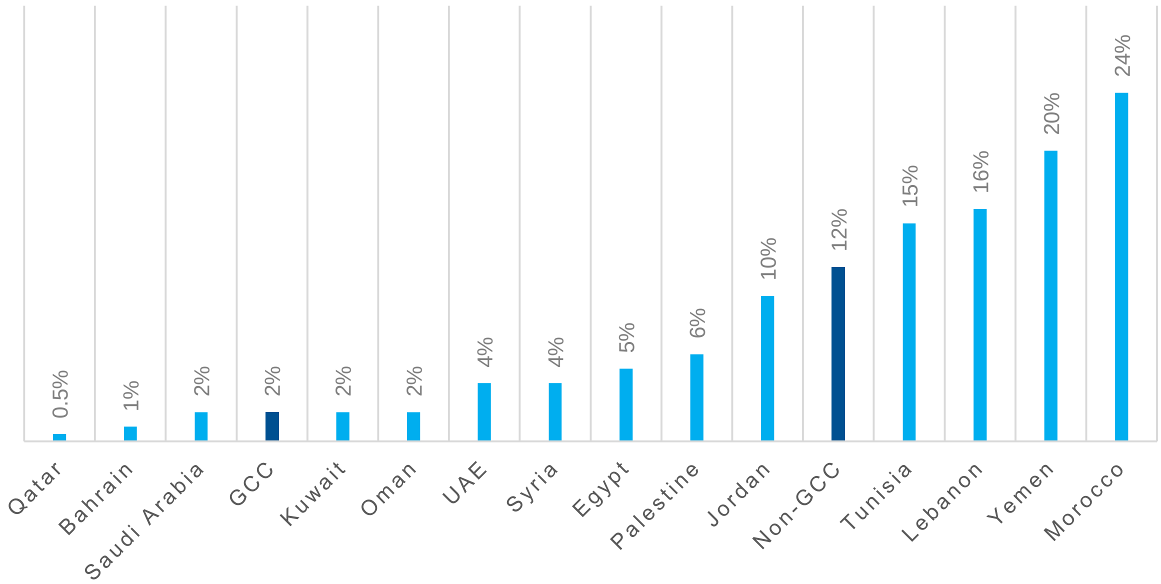
Despite substantial contribution of SMEs to regional GDP, funding to SMEs has been dismal. There have been some alternative funding options explored. One such phenomenon is Crowdfunding. In our interview, Dr. Shehab explains the intricacies of crowdfunding, its potential to support SMEs and the expected size of crowdfunding in the region. He also sheds light on the regulatory hurdles and future of crowdfunding in the MENA region.

Please read below the complete transcript of the interview.

1. What is your view on the availability of funding to entrepreneurs in the MENA region?

There is a clear lack of funding in MENA especially in the case of young enterprises that are still in their seed stage. SMEs who exist for at least 3 years have the ability to access funding in the form of loans from banks, but this is also still an underserved segment in MENA as you can see in the following graph:

Figure: SME Loans to Total Loans



Source: OECD 2012

A clear funding gap exists mainly for the missing middle, which is defined as being too big for microfinance (which is served by NGOs and poverty support programs and some banks), too small for venture capital funds and too risky for banks.

During the last years a number of entrepreneurial ecosystem stakeholders providing funding for startups such as incubators, accelerators, venture capital funds, angel networks and crowd funding initiatives evolved in MENA but the market is still premature and underserved.

2. Could you please briefly explain how alternative funding sources, such as crowdfunding, work? How soon can it scale up and meet the funding demand of MENA entrepreneurs?

Alternative funding such as venture capital funds, angel networks and crowd funding platforms operate differently than conventional funding that it is typically equity-based characterized with a much higher risk but with the potential of high returns.

Crowd funding refers to a collective cooperation of a network of people to gather mainly financial resources in the form of donations or investments to support the initiatives of others willing to establish, build or develop a specific business or project. Crowd funding relies on the "power of the crowd" through utilizing the Internet, social media and e-payment gateways.

So typically, entrepreneurs post their ideas on the platform, which initially screens the idea, and if approved the content (business plan, video, team information…) are posted on the platform defining the amount the entrepreneur is willing to raise.

"Crowd funding refers to a collective cooperation of a network of people."

3. What are the major differences between conventional crowdfunding and sharia-compliant crowdfunding?

The main difference is in ensuring that the startups financed operate in Shariah-compliant business or do not generate income from non-permissible income sources. Additionally, clear restrictions in terms of the financial structure such as not raising capital in the form of interest-based debt or deposit or invest excess cash in non-compliant investment vehicles.

Finally and most important typically in the venture capital space, preference shares are used to give investors preferential rights in terms of liquidation, voting or dilution. Typically, preference shares are considered non-compliant from a Shariah-perspective and thus shareholder agreements and structures have to be developed and supported that are Shariah-compliant and align the interests of both investors and entrepreneurs.

4. What is the typical size of investor pool for a project, and the proportion and characteristics of outsiders who are willing to invest in such ventures?

This varies from one project to another. Typically we define the majority of the crowd as micro-angels who are willing to invest between $2K to $30K for each project whereas also angel investors are part of the network who are willing to invest much bigger amounts in the case they identify potential and promising startups.

Large interest comes from outside especially expats and cross-country investors. Currently we are serving only local investors since we operate inside Egypt but hope to be able to expand regionally and attract a larger base of investors and startups.

5. Do crowdfunding companies set a minimum bar for investors to pitch in for a project? If so, how does it vary from one venture to another?

The equity-based crowd funding space differs from reward-based or donation-based crowd funding which are less complex and therefore smaller ticket sizes (even $1) are possible. In equity-based crowd funding where investors receive shares in the ventures it is preferable to limit the number of investors per venture or create an SPV to pool in all investors to act as a single shareholder in the venture.

Some ventures prefer to have a larger ticket size defined to reduce the number of involved shareholders. The main issue here is not the number of shareholders, but more the regulatory framework and the enforceability of a pre-agreed shareholder agreement ensuring that the stakeholders involved do not block or hinder possible exits from the investment in the future.

6. How big a role does foreign investment play in the crowdfunding sphere? And how far are we from the notion of "funding-sans-borders", especially in the MENA region?

"According to the World Bank, potential capital to be raised in MENA via crowdfunding is estimated to be $5.6 billion."

According to the World Bank (infoDev 2013), potential capital to be raised in MENA via crowdfunding is estimated to be $5.6 billion.

The main challenge therefore is not in the funding but in the identification of potential startups with growth potential on a global scale and the evolvement of an overall ecosystem supporting entrepreneurial development in MENA.

Foreign investments play a major role in the region especially if we combine the strength of capital rich countries such as in the GCC and labor / human intensive countries in the rest of MENA such as Egypt or Morocco. Therefore crowd funding could play a major role in cross-country human development and the evolvement of an entrepreneurial ecosystem Made in MENA.

7. Post funding, how much support, mentorship and monitoring is required, to ensure that the businesses are achieving their goals?

Typically this is not the role of a crowd-funding platform and we are trying to reduce this involvement over time. Unfortunately, startups especially who did not get incubated and have a young founder team need a high level of mentorship to support them in their business journey. Monitoring is a mechanism relevant to investors who want to be able to watch out if their investment is on track or not since we are talking here about a totally unregulated market compared to listed stocks for instance.

8. March of this year witnessed the launch of a real estate crowdfunding company in the UAE. Are sector specific crowdfunding companies going to be the norm in the coming years?

Yes, real estate crowd funding has a huge potential since real estate is an asset class which is close to the interest of our region and thus through crowd funding a much bigger portion of the smaller investors has the opportunity to have partial ownership in a real estate they could never afford on their own.

Crowd funding is unlocking capital for new asset classes, which did not exist before. Therefore theme specific crowd funding will rise over the next years including real estate, startups and also some activities related to medical crowd funding as well as research / science crowd funding an initiative we are currently considering to work on with some global partners.

> "Theme specific crowd funding will rise over the next years."

9. Which sectors attract more capital from crowdfunding, and how has it varied over the years?

It is still too soon to define a clear trend since the industry is still premature and young. But mainly crowd funding is currently most successful in the reward-based space such as indiegogo or kickstarter in the United States.

Most tech start-ups in the Middle-East struggle as there are huge gaps in the funding cycle (from angel to late funding). At present, crowdfunding assists in the financing of early-stage ventures. Is it possible to see crowdfunding in all growth stages?

Crowd funding and the surrounding regulatory and legal aspects need first to provide a strong track record in MENA before focusing on later stages in the funding cycle. Crowd funding-based funds might play a role in the future to support different stages in the funding cycle.

10. How do you envision the growth of crowdfunding in the MENA region over the next five years?

The number of crowd funding initiatives will grow across MENA providing crowd funding on different terms (equity, loan, reward, donation…) and sectors / themes. Entrepreneurship in general has become a trend globally as well as in the region and thus the high potential comes with a high risk of inexperienced backers loosing capital due to not diversifying their portfolio and due to the lack of exit opportunities in the region.

Therefore the platforms which provide more transparency and explanations as well as information about the startups for their investors will have the potential to grow across MENA.

11. Presently, are there any major obstacles to crowdfunding in the form of regulations?

Crowd funding is new to the region and of course is lacking regulations supporting platforms to operate in an efficient manner. Due to the lack of a regulatory framework across MENA for crowd funding raising capital in public is not possible forcing us to operate as a closed network, investors back startups through commitments rather than money transfer since capital raised needs to be transferred directly to the startup and not to the platform.

We strongly believe that regulation will be driven by success and there are already a number of attempts to setup a regulatory framework for crowd funding in a number of Islamic countries, which would help all platforms to attract more investors and startups.

12. Could you please provide a brief introduction about your organization, and its purpose?

Shekra is a crowd funding initiative focusing on linking potential / pre-screened startups with a closed network of investors. Currently, we are operating in Egypt benefiting from the young human capital and planning to expand regionally to support cross-regional investments.

Expert Opinion

Interview with Manaf Al-Hajeri, CEO of Kuwait Financial Centre 'Markaz'

As a consequences of the financial and economic crisis since 2008, the regional business landscape witnessed sea changes in the way businesses are managed. The recent events of slumping oil prices have added to the quandary for steering the business in the right direction. We met with Mr. Manaf Al-Hajeri, CEO of Kuwait Financial Centre 'Markaz', to understand what it takes to sail through the challenging times and what reforms are required to have a congenial business environment.

Please read below the complete transcript of the interview.

1. We have seen many changes happening in the local business environment since the 2008 financial and economic crisis. Could you please sum up what is the status now of Kuwait's business environment after all these years?

We have seen the current business environment emerge through the action of old ones, characterized by a challenging trading environment, reduced market activity in terms of both asset management and corporate deals – more pronounced in the area of reforms and regulations in the financial sector and somewhat insular way of doing the business. Many players have preferred to stay in the local market which resulted in less cross-border activity.

Finally, as a consequence of the financial crisis, we are witnessing lots of restructuring going on between creditors, banks and players, mainly from the financial sector in the absence of a suitable bankruptcy legal environment that could have facilitated the bankruptcies in a more orderly manner. All these extremely tight conditions have led to the emergence of new breed of financial institutions who maneuvered to get by and survive in such environment.

"Many players have preferred to stay in the local market which resulted in less cross-border activity"

2. The availability of necessary funding is pivotal to growth of business sectors in any economy. How does Markaz aim to address this challenge?

Markaz has been and continuous to be extremely prudent in terms of its financial management instituted by high quality assets, under leveraged position, and controlled risk appetite. All these has led to a solid position of Markaz during the crisis, illustrated by its ability to payback its debt in 2013 and refinancing from the market during the more challenging periods.

3. Markaz has been one of the companies that has managed its affairs well even during the crisis. How does the business model of Markaz help?

Markaz's business model is reliant on creating a stable revenue stream of fees and commissions on the one side and returns from its proprietary investments - primarily seeding its own funds - on the other hand.

4. How does Markaz position itself competitively in the MENA and GCC region?
Markaz is one of the largest fund managers in the GCC and has a proven track record in equities, MENA real estate, International equities and International real estate.

On the capital market side it has proven credentials in structuring primary and secondary middle market deals.

5. What impact the political upheaval that was witnessed in the recent years have had on the regional business climate?

We continue to pay a lot of attention to the way we manage our risk and there is no doubt that political risk was the major risk factor in the past few years. We believe that our internal controls and the alliances we have with the other international institutions have helped us steer through some of the major risk factors by better understanding and quantifying the potential risks.

On a more proactive side, Markaz has a deep commitment to its position as a research driven investment house. So we continue to invest in this segment as one of the off shoots of this is Marmore MENA Intelligence. Marmore is an India based fully-owned research subsidiary of Markaz which caters to the data, information and analytics needs of the institutions in the GCC specially GCC and MENA region at large.

" Markaz has a deep commitment to its position as a research driven investment house "

6. In light of these political turmoil and economic uncertainties, what are the key risk factors that businesses in the region face?

In addition to the classical layers of risk model which includes market, credit and operational risks, I believe that the economic sustainability of the GCC economies in terms of hedging itself against oil price fluctuations and empowering the private sector and creating new investment asset classes are key. The current deficiencies of the forgoing are key risk factors.

7. As part of its corporate economic responsibilities, what steps or activities Markaz has taken in the recent past?

Markaz actively participates to nurture and support the economy. In this regard, our strategy is built upon three pillars. Firstly, we strongly believe that a nation's sustainable future can mainly be built on the basis of the skills and capabilities of its population. Thus, Markaz continues to support non-profit activities pertaining to human capacity building towards sustainable development with a special concentration on Culture, Health, Sports, Education, and SMEs.

Secondly, we believe in adapting the broader business environment to the principles of sustainable development by conducting relevant policy researches to aid the decision and policy-makers alike. Markaz keenly invests in economic and policy researches, to develop strategies and solutions for problems and challenges confronted by the local and regional economy.

Lastly, we encourage and promote the principals of good governance in our business environment. To foster better corporate governance in both public and private institutions, Markaz has conducted a number of roundtable discussions, presentations and various events in collaboration with entities such as Kuwait Economic Society.

8. We have seen slide in oil prices in the last few months. In your opinion, how does it affect the overall economic and business landscape in the region?

There's no doubt that there was a degree of panic in the market that was conducive to a correction disproportionate to oil prices fluctuations.

However, the underlying truth is that all the players are taking a strong view that the GCC economies are reliant on oil revenues and the interruption of which can seriously undermine fiscal spending.

9. Across several indicators, such as World Bank's Ease of Doing Business and the World Economic Forum's Global Competitiveness Index, Kuwait fares relatively poor. How can the business environment be improved and minimize the cost of doing business?

I am optimist that a new breed of economic institutions and laws have emerged in a past few years to confront such challenges. There is Kuwait Direct Investment Promotion Authority that is just starting its mandate to attract FDIs and to iron out obstacles. Additionally, there is SME fund and anti-corruption authority which are due to start soon. The recent oil price correction should provide necessary impetus to drive more focused debates on reforms, to empower the private sector and to introduce major investments.

> "Recent oil price correction should provide necessary impetus to drive more focused debates on reforms"

10. Could you please tell us about overall investment landscape in the region and Kuwait in particular?

Whether it is in the GCC or the non-GCC countries the challenges have always been to transform a rent economy to an economy that can lead itself in a better way to create jobs, empower private sector and improve efficiencies in order to ensure long-term sustainability. Some GCC countries have embarked on serious reforms in many fields. The ascension of the UAE and Qatar in MSCI EM Index is a result of a remarkable reform in the financial sector that has led to a renewed confidence of international market in these countries.

In Qatar, strategic efforts are afoot to create an enabling ecosystem for economic diversification. The Qatari government has earmarked $7.2bn for the education sector in the national budget for 2014/15, a YoY rise of 7.4%. Spending on education is expected to double over the next half a decade, including plans to construct 85 new schools.

Also, there is an invigorated push in places like Abu Dhabi to discover new sources of revenues by capitalizing on current strengths. For instance, Abu Dhabi is undertaking efforts to position itself as a centre of cultural tourism in the region, since it has many attractions of important heritage value such as Sheikh Zayed Grand Mosque, Yas Island, etc.

Meanwhile, in Saudi Arabia, the mortgage law that was introduced in 2013 is expected to boost activity in both the real estate and the banking sectors. The Saudi mortgage law is expected to push the kingdom's homeownership to an estimated 80% by 2024. In Kuwait, amendments to the law governing the country's Capital Markets Authority (CMA) are expected to be tabled in the parliament in January 2015. Amendments are likely to cover the operations of market makers and other market mechanisms. The CMA is also reportedly working to introduce new investment tools.

So in a nutshell, the challenges in the GCC landscape are to come up with the balanced bundle of reforms that succeed in transforming their economies beyond reliance on oil.

11. Many business sectors in Kuwait require reforms. In your opinion what are the priority sectors that should to be dealt with first?

> "Kuwait has the urgent need to focus on those structural reforms that will build up social capacity for efficiency and innovation"

Kuwait has the urgent need to focus on those structural reforms that will build up social capacity for efficiency and innovation. In that regard, the critical sectors that are ripe for urgent reform are education, healthcare system and the aging infrastructure network in the country, including the transportation systems. The new Development Plan for 2015-2020 holds the promise of turning around the poor implementation and spending rate in terms of capital projects, including construction of new hospitals; while there are changes being discussed to the educational curriculum. Thus, the signs are encouraging.

12. What are the key macro level reforms needed in Kuwait?

Though Kuwait has a sound fiscal position currently, growing current spending and excessive reliance on oil revenues forebode fiscal risks at some point in the future. Thus, restraining current spending growth levels through reforms in government wages and subsidies will likely grow in importance. On the social front, the affordable housing industry in Kuwait is facing many challenges, including difficulties in accessing credit, shrinking profit margins for private developers, etc. Connectedly, land reforms are going to become increasingly key. The energy sector too will need urgent reforms in order to reduce the amount of oil burnt for domestic power generation; while sustaining efforts to improve oil production rate through adaptation of newer technologies

Markaz Research Highlights

Cheaper Oil – Is it here to stay?

Oil Price forecast (2014-15)

Agency	Benchmark	Period	Price ($/bbl)
Reuters poll	Brent	2015	74
		2016	80
EIA	Brent	2015	68
	WTI	2015	63
S&P	Brent	2015	70
		2016	75
	Nymex	2015	65
		2016	70
TD Economics	Brent	1Q15	60
		2015	75
Morgan Stanley	Brent	2015	53-70
CIBC World Markets	Brent	2015	73
EIU	Brent	2015	80
		2016	85

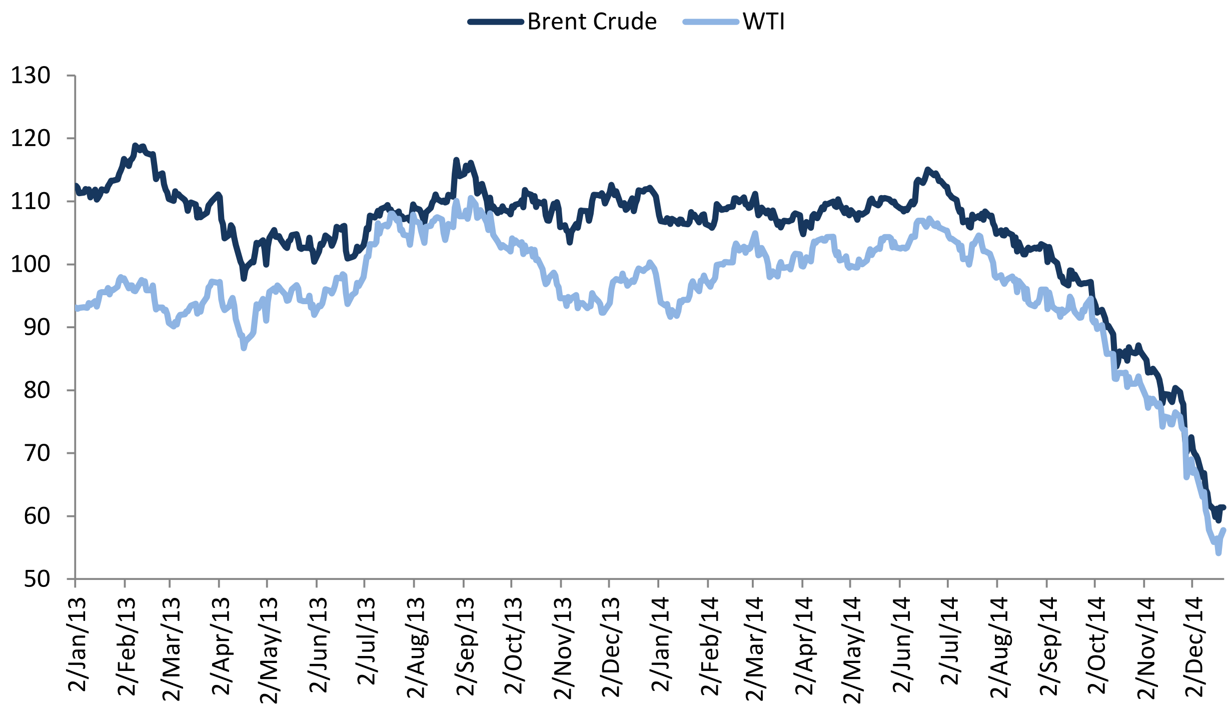
Source: WSJ, IMF, EIA

The above table lays out oil price forecasts that have been gathered from various sources. After reaching a high of $115.19 per barrel for the year so far, the price of Brent crude dropped to about $61.38 by 21 December 2014, a fall of about 47%. This precipitous drop has left many analysts and policy makers perplexed and even troubled. A combination of excess supplies, tenuous demand, OPEC's decision not to cut daily output target, and a stronger dollar has been blamed for the decline. The history of oil, as a commodity, is riddled with several alarmist forecasting episodes over the years. In the 1950s and 1960s, there were rampant fears that the growth of demand in oil was unsustainable and that it could lead to unaffordable prices. Prices did rise in the 1970s and early 1980s on the back of demand growth and geopolitical movements impacting oil from the Middle East; but the spikes were countered by an economic recession and discovery of oil in new areas (e.g., North Sea in Europe).

Meanwhile, the 1980s also saw the trend of growing usage of natural gas for power generation, which muted some of the most alarming demand forecasts. In fact, by 1986, oil prices underwent a record slump to $10 per barrel ($22 now in 2014 inflation adjusted terms). Oil prices stayed at relatively modest levels through the late 1980s and much of the 1990s, barring the period of the First Gulf War.

But by the end of the 1990s, oil prices experienced significant downward pressures. This was partly due to OPEC's decision in 1997 to increase oil production quotas for 1998, an announcement that came just before the commencement of the Asian debt crisis that had a weakening impact on global demand. Weaker demand and raised supply caused a slump for almost 2 years in the oil price levels. A chart displaying the Brent spot price in the recent past could help in setting the stage leading into the events of 2014.

Brent and WTI Oil Prices in USD (2013-Present)



Source: Reuters

The current fall in the price is all the more puzzling due to the fact that despite almost unprecedented geopolitical developments impacting multiple oil producers (e.g., Iraq, Libya, Nigeria, etc.), the price of oil has continued to slump; though it should have been the reverse. The price slump is thus considered something that could be a reflection of deeper structural changes. Many analysts opine that crude oversupply (e.g., U.S. shale revolution), slowing demand (e.g., China) and the reluctance of key producers (like the KSA) to intervene to stabilize prices, etc., has led to the current run of falling price levels.

The global oil market appears strongly buffeted by strong influences on both sides of the supply and demand spectrum. For instance, American crude oil output is up almost by about 80% since 2008, implying an addition of around 4 million barrels a day. It is notable that the number is higher than crude barrels produced by any of OPEC's (Organization of the Petroleum Exporting Countries) members, excluding the KSA. Meanwhile, Canadian oil sands have augmented supply by one million barrels per day over the same period. For members of OPEC, the downward fluctuations in the oil price can have worrisome results, especially in terms of the breakeven price of oil. OPEC member countries produce around 40% of the global crude oil.

The pressures on both sides of the oil demand-supply equation appear convoluted and many 'black swans' (e.g., emergent and unexpected geopolitical developments) dot the landscape. Stagnant recoveries in Japan and Europe are expected to keep demand for oil soft; while the massive supply shock, largely from North America, is expected to bolster supply over the short-term, at least. IMF recently reduced its forecast for global growth next year to 3.38 percent in 2014, and 3.8 per cent in 2015, from a July prediction of 3.4 percent in 2014 and 4.0 percent in 2015, supported by a host of weak indicators from Europe and China, which is expected to lead to a tepid global demand, and in turn affect the earnings of corporations worldwide. Oil prices, on a four year low, have already prompted many importers (for eg. China) to hoard the commodity, which would affect future demand when prices recover.

According to the most recent projections by EIA, Brent prices in 2015 will average USD 68 per barrel, and WTI will average USD 63 per barrel. Other forecasts for 2015 Brent crude were provided by international organizations, such as Reuters, S&P, EIU and top investment banks such as Morgan Stanley, that ranged from USD 60 per barrel to USD 80 per barrel. In general, price forecasts for oil have projected a modest recovery over the next year, which may well be revised down if oil continues down the present slope.

For Gulf economies, even those with the accumulated oil surplus cushions, if oil prices persist at current or lower levels over a long term, deficit situations may ensue. For countries such as Saudi Arabia and the UAE, there will be pressure on their governments to slow down the rate of investment expenditure, and governments may need to balance their budgets, and curtail spending, which could dampen economic growth. Although the oil-exporting Gulf countries can easily finance a deficit, they may prefer to avoid debt financing, or at the very least minimize it as much as possible. OPEC countries are already forecasted to lose around billions of dollars, affecting both their ability to support their expanded budgets post Arab-spring.

The best course of action for the GCC would be to intensify its economic diversification efforts so as to not be impacted negatively by grievous oil industry shocks over the long-term future. As alluded to earlier, oil is a highly strategic commodity whose price undulations are underpinned by a complex network of economic movements raising from various parts of the world.

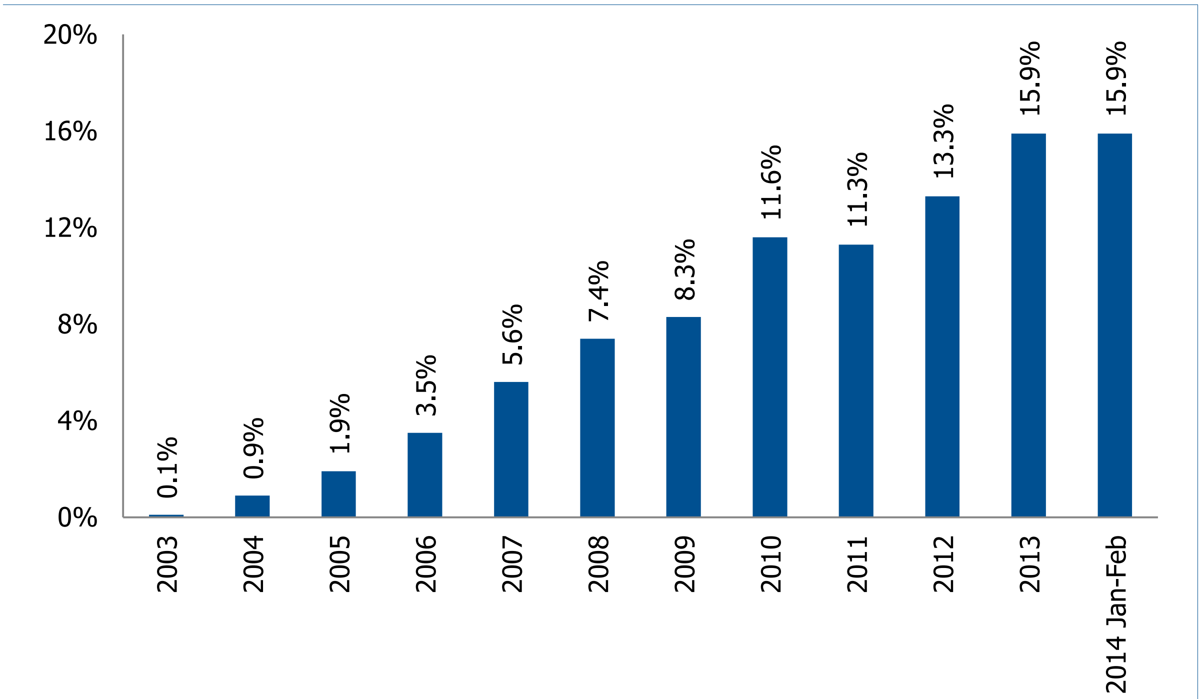
In closing, it can be said that a price rise could very well on the way if the low prices push out marginal suppliers and hamper new investments looking for better profits. However, as in the past, oil prices still retain the knack to surprise!

Source: Excerpts from our economic research report titled "Cheaper Oil". To find out more details, please visit www.e-marmore.com

GCC Low Cost Carriers (LCC)

The GCC airline industry is growing at a very high pace, mainly the Low Cost Carrier (LCC) as it is a relatively new market in the region. The Low Cost Carrier segment in the GCC remains under penetrated as compared to the markets like US and Europe. The adoption of open sky policies by a few GCC countries and evolution of few LCCs have changed the airline business scenario as a whole. LCCs are expected to be the future of aviation.

LCC Capacity Share (% of Total Seats) in Middle East



Source: CAPA

The demand for Low Cost Carrier is majorly driven by expatriates who seek afforable means of travel to their native country. Internal growth drivers like young population with high travel propensity and liberalization policies of the governments have also aided the growth story of LCCs in GCC region. The region is gaining popularity as a global transit hub. The demographic divide and tourism are creating a huge demand for LCCs. The religious places of Saudi Arabia, the shopping destinations and entertainment avenues of UAE are attracting a huge crowd.

The business model of LCCs gives them a major advantage in terms of cost. Point to point service, rapid turnaround, charging for in-flight services and standardized fleet reduces their operating cost thus giving a boost to the profit margin. Passengers are usually not keen on the services provided on short haul flights and thus opt for LCCs.

There are four LCC airlines in the region, namely Air Arabia and flydubai, which are UAE based; Jazeera Airways of Kuwait and flynas of Saudi Arabia. These airlines offer unique programs to attract customers. For example, Air Arabia offers a different in-flight experience by making their customers share their talents like singing and dancing and it offers special giveaways. Jazeera Airways provides Jazeerati program which is a loyalty program in which it gives its customers a free flight ticket for every ten boarding passes they collect.

The performance metrics help in understanding the profitability and utilization rate of the airlines. The Passenger traffic of Air Arabia and Jazeera Airways has increased on a year on year basis. The number of passengers carried by air Arabia increased by 15% in 2013 compared to the previous year with the airline carrying 6.1 million passengers. Similarly the number of passengers carried by Jazeera airways also increased to 1.14 million in 2013. The Performance Load factor (PLF) gives the utilization rate of the airlines. Although Air Arabia's PLF fell from 85% to 80% due to economic turmoil, it rebounded again in 2013 to 82%.

There are certain challenges which hinder the potential of LCC in GCC. Regulatory challenges distort the GCC aviation sector with cost and complexity thus preventing LCC from launching a true low cost revolution. As the gulf aviation sector is relatively unexplored, it is one of the most sought after markets, increasing competition. The fuel price is a big hurdle for the airlines as it directly has a negative effect on the profit margins and hedging is one of the methods to mitigate their exposure to fuel price movements.

However, this is still difficult as it can backfire. The lack of secondary airports in the region increases the operating cost of LCCs which generate profit through low operating cost. The growth potential and attractiveness of GCC's low cost carrier outweighs the challenges. The demand for LCCs is going to rise in the future and in the long term it is going to benefit all its stakeholders.

Source: Excerpts from our infrastructure research report titled "GCC Low Cost Carriers". To find out more details, please visit www.e-marmore.com

Family Businesses in the GCC

Family businesses are the mainstay of the GCC economy and account for over 90 per cent of the private sector. They are traditionally involved in trading, manufacturing, financial services, real estate and construction, and over the years, have diversified into other sectors. Many Arab businessmen are successful across the world, and have passed on their strong work ethic and entrepreneurial excellence to future generations. The single key feature of a GCC family business is the ownership structure, which takes the form of direct and complete family control and is characterized by a handful of senior family members influencing decision making. Concentrated shareholdings allow family business to take a long term view, at the expense of short term earnings or share price movements, and this has helped them survive the vagaries of the market. With relatively larger families in the GCC, there is an enormous talent pool with an increased sense of loyalty and commitment, to protect and increase family wealth.

Globally, generational transfer of control is a major issue, as seven out of ten family-owned businesses fail to make the transition to second generation, and just one in ten makes it to the third generation. After the death of the founder, very few family businesses are sustained generationally, and fewer survive down the line successions. Most groups don't have procedures in place to deal with issues of control and ownership, but as the company and number of family shareholders grow from one generation to the next, there is an increased potential for conflicts. Corporate and Family governance are also key issues that need to be addressed, to secure the long term health of the business as most GCC family businesses have little formal procedures.

Liberalization in the GCC has led to stricter regulations in the capital markets, increase in competition, both domestic and foreign, and a greater need for transparency and accountability. This has constrained family businesses' access to liquidity as most groups are private concerns. With the changing corporate landscape and globalization, it remains to be seen if family businesses capitalize on their strengths and overcome their challenges.

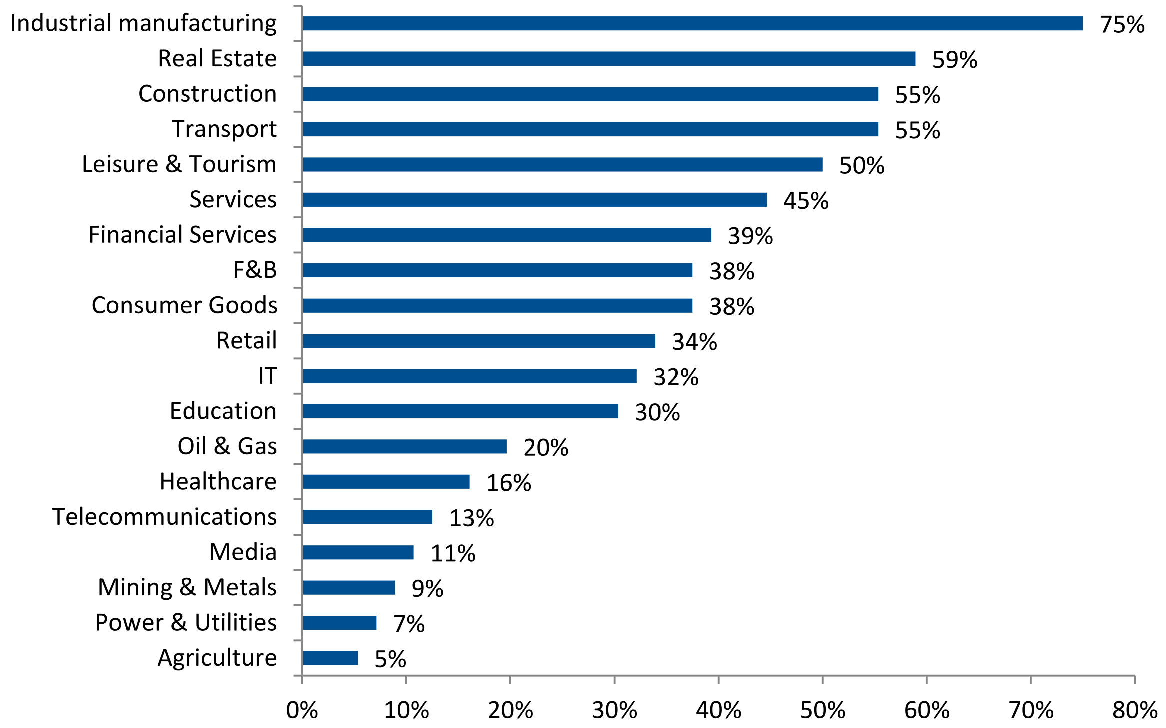
56 family business groups were chosen representing nineteen sectors from across the region to conduct an analysis. Many of these family business groups were initially established as trading firms and later grew into conglomerates. On an average most GCC family businesses have a presence in over six sectors. 42 of the 56 family businesses considered are conglomerates, with UAE, Qatar, Oman and Bahrain having the most number of conglomerates. 50 of these businesses are private holdings with majority shareholding concentrated in the hands of the family members.

The sectors where family businesses populate the most are Industrial Manufacturing (75 per cent), Real estate (59 per cent), Construction (55 per cent), Transport (55 per cent), Leisure & Tourism (50 per cent) and Services (45 per cent). This is due to lower barriers to entry, conducive regulations, increasing government spending, rising population and youthful demographics.

While Media (11 per cent), Mining & Metals (9 per cent), Power & Utilities (7 per cent), and Agriculture (5 per cent) are opted by very few family businesses. These businesses require larger initial expenditures and economies of scale, technological expertise and other resources (water) that the region currently lacks.

The following chart shows the sector concentration (i.e.) the sectors where most family businesses presence is seen.

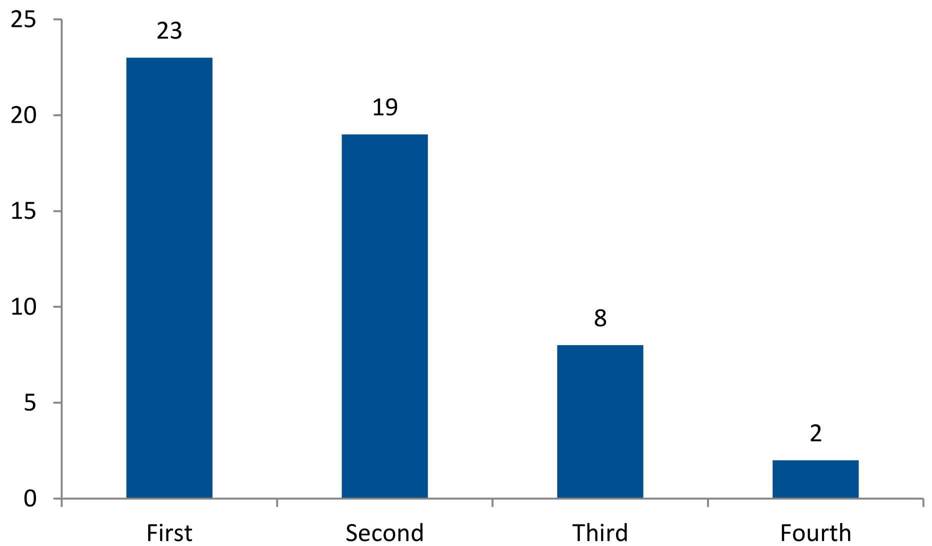
Family Business Sector Concentration



Source: Zawya, Markaz research

Nearly 81 per cent of the family groups analyzed fall under the first and second generation and 15 per cent fall under the third generation. The GCC family business groups are young relative to their western counterparts. But proper planning is needed to ensure that the business groups sustain over long time periods.

Generation – Family Business Groups*



Source: Zawya, Markaz research, *Generation details were available for only 52 companies out of the total 56.

Source: Excerpts from our sector research report titled "GCC Family Business". To find out more details, please visit www.e-marmore.com

Saudi Arabian Markets Set to Open – What are its Implications?

Saudi Arabia is the largest stock market and one of the oldest stock market in GCC. However, it is neither part of MSCI Frontier Index nor MSCI Emerging Market Index thus excluding it from foreign investor portfolios so far. In this background, the decision to open up Saudi Arabian stock markets for direct investment by foreign institutions as announced by CMA in a communiqué dated July 22, 2014 has renewed interest among global investors towards this very important market.

As things stand, Saudi Arabia may open its market to Qualified Foreign Institutional Investors (QFII) as early as beginning of 2015 paving way for possible inclusion in MSCI Emerging market index by 2017. Investment banks expect an inflow of circa USD 20 billion into the bourse upon this event.

With a market capitalization of USD 484bn, TADAWUL index easily dwarfs its regional peers in size. Indeed the market size of Saudi Arabia is greater than the rest of GCC nations put together. With daily trading volumes of c. USD 2.2bn they are also the most liquid in the region.

GCC Regional Markets

Country	Market Cap	Avg. Daily Value Traded
KSA	USD 484bn	USD 2,171mn
Qatar	USD 185bn	USD 214mn
Kuwait	USD 96bn	USD 85mn
UAE- Abu Dhabi	USD 113bn	USD 191mn
UAE -Dubai	USD 86bn	USD 407mn
Oman	USD 25bn	USD 25mn
Bahrain	USD 23bn	USD 3mn

Source: Zawya, Reuters

Note: Average value traded is for the year 2014; Market cap as of Dec 31, 2014 is provided.

As the largest economy in the MENA region, and spurred by ambitious plans to spend billions of dollars in a bid to diversify its oil-dependent economy, the stock market stands to offer numerous growth opportunities across infrastructure, banking and financial services, retail and telecom sectors. Favourable demographics, higher per capita income levels and buoyant consumer demand offers significant opportunities for consumer plays such as Almarai (food & beverage), Savola (food processing and retail) and Fawaz Abdulaziz Alhokair (retail) which aren't dependent on global growth and are largely national growth stories.

Large Saudi Arabian companies, primary beneficiaries of public spending generated by country's oil wealth and owned by Saudi nationals are closely guarded with restrictions imposed on external ownerships. The direct invitation to foreign investors is likely to increase market liquidity, improve market efficiency, drive down cost of capital, inculcate best practices in corporate disclosures and subsequently enhance corporate governance amongst listed companies.

Attractive growth stories similar to that of any emerging market; stable and strong credit profile underpinned by robust surplus and lower debt levels, rivaling that of developed nations; currency pegged to US dollar precludes currency risk, and a lower correlation to other markets offers enormous scope for diversification and argues well for inclusion of Saudi Arabia in an emerging market portfolio.

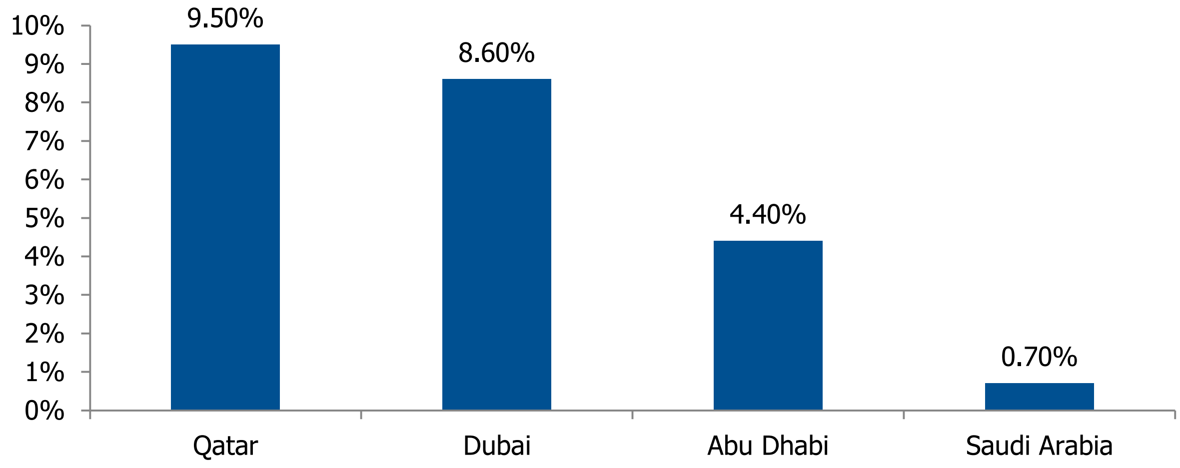
Allowing Direct Participation of Foreign Investors in Stock Markets

Appointment of Mohammad bin Abdullah Al Al-Sheikh in February, 2013, a widely respected, foreign educated banker with vast international experience as the president of Saudi Arabia Capital Market Authority (CMA) was a pivotal moment. The new CMA head, regarded as a forward thinker paved way for realignment of Saudi market trading days in sync with GCC peers.

Subsequently, in July 2014, Government of Saudi Arabia had given its nod to allow direct participation of foreign institutions. Currently the stock market regulator, CMA is working on the rules along with

Saudi Arabian Monetary Agency (SAMA), the central bank of Saudi Arabia. The draft will then be circulated and feedback on the same would be sought from general public, investors, financial institutions and other stakeholders over a period of 90-days. Post which CMA will review the responses and assess market readiness by the end of 2014, to allow Qualified Foreign Institutional Investors (QFII) to invest in eligible stocks listed on TADAWUL.

Foreign Ownership Levels of Key GCC Markets



Source: Deutsche Bank, Bloomberg Finance, Regional Stock Exchanges

Set of rules which were drafted a year back by CMA said qualified foreign institutional investors (QFIIs) with minimum assets under management (AuM) of USD 5 billion and those who have been in the business of security activities for over five years would be eligible participants. Preference for long-term investors than short-term speculators is quite evident. Some believe that Saudi Arabia could adopt a mechanism similar to China wherein under its QFII scheme - foreign investors are allowed to invest within predefined limits. Markets are rife with rumors that equity stakes for QFIIs in Saudi Arabian companies would be capped at 5 per cent for each institution and all institutions combined wouldn't be allowed to hold more than 20 per cent. Also, the move is expected to be slow with only few licenses issued at the onset and it might be gradually increased.

Current Practice
In 2008, CMA allowed indirect access of its equity market for foreign investors through swap structures. Investors through purchase of these exotic instruments could have the performance of underlying mimicked but were excluded from holding any equity stake. Exclusion of ownership rights led many institutions, which have strict guidelines for investment ownership to rule out Saudi Arabia from their investment radar.

Gradually, access options were increased for foreigners thru participatory notes, ETFs and mutual fund units. Opening up the markets for direct access could simplify the elaborate procedures and enhance the investment universe as a greater number of opportunities would fall under investment gambit.

Implications of QFII entry
Ideally such structural reforms should help in increasing the efficiency of markets, drive down cost of capital, capital raising would be made easier, inculcate best practices and enhance corporate governance measures over the long-term.

Would it pave way for inclusion into MSCI indices?
Based on the assessment of various parameters such as market liquidity, ease of access and efficiency of operational framework the market could be either classified as part of Frontier or Emerging indices. As per MSCI Global Market Accessibility report, Saudi Arabia has been classified as a standalone country index and it isn't part of either MSCI Frontier or Emerging index.

Using current market data, Saudi Arabia would constitute c.63% or 4%, if it were be part of MSCI Frontier or MSCI emerging market indices respectively. Also assuming the markets will be opened for direct foreign institutions participation by start of 2015, the earliest it could be part of MSCI indices is mid-2017. Bank of America Merrill Lynch report estimates the inflow of money between USD 13.3bn to USD 26.6bn upon KSA inclusion into MSCI Emerging market index.

Improvements cited in the MSCI report include partial removal of restrictions on real-time stock market data usage leading to improvement in anti-competitive landscape. Stability of institutional framework and market infrastructure such as registry and depositary functions have been positively reviewed compared in comparison with previous year.

However, much needs to be done in terms of information flow, as not all market information and regulations are found in English. Presence of only one custodian, lack of omnibus structures and nominee status, prohibition of off-exchange transactions needs to be addressed.

Current Stance of MSCI

	Saudi Arabia
Classification as of June, 2014	Standalone
Openness to foreign ownership	
- Investor qualification requirement	+
- Foreign ownership limit (FOL) level	-/?
- Foreign room level	-/?
- Equal rights to foreign investors	-/?
Ease of capital inflows/outflows	
- Capital flow restriction level	++
- Foreign exchange market liberalization level	++
Efficiency of operational framework	
Market Entry	
- Investor registration & account setup	-/?
Market Organization	
- Market Regulations	-/?
- Competitive landscape	+
- Information flow	-/?
Market Infrastructure	
- Clearing & Settlement	-/?
- Custody	-/?
- Registry/Depository	++
- Trading	++
- Transferability	-/?
- Stock lending	-/?
- Short Selling	-/?
Stability of institutional framework	+

++ No issues; + no major issues, improvements possible;

-/? Improvements needed/extent to be assessed.

Source: MSCI Global Market Accessibility Review, June 2014

Source: Excerpts from our capital market research report titled "Saudi Arabian Markets Set to Open". To find out more details, please visit www.e-marmore.com

Policy Options to Involve Kuwaitis in the Private Labor Market

Kuwaitization of private sector employment is a policy objective that in principle every major stakeholder agrees on, be it government, private businesses or Kuwaiti citizens at large. Some 25,000 young Kuwaitis join the labor force every year, and while high oil income has allowed for the creation of tens of thousands of new public sector jobs in recent years, it is obvious that the government will be unable to absorb all new entrants in the long run. An increasing share of Kuwaiti jobs will have to be created by business. In practice, however, the "how" of private sector Kuwaitization has proved to be highly contested, both because some of the policy tools used have proven ineffective and costly, and because their concrete application has produced winners and losers. A consensus on how to move ahead with integrating Kuwaiti nationals into the private labor market has yet to be found.

The urgency to find such a solution could not be larger, as it is hard to imagine a policy area in which more is at stake: the long-term fiscal health of a country in which most national employment continues to be provided, at ever-increasing cost, by the government; the challenge to make Kuwaiti nationals partake in and direct their country's economic development and diversification process; and the future of the often tense relationship between the local private sector and the citizenry.

Market and price-based approaches to reducing the private labor cost gap
Kuwaitization is not possible unless relative prices on the labor market are "fixed": As long as expatriates are much cheaper to employ than Kuwaitis, most employers will prefer to hire them, and many companies will engage in Kuwaitization in a superficial, unproductive and potentially deceptive way. Market forces always find their way, whether formally or informally. But how can the cost gap between local and foreign labor be closed or at least narrowed? There are two basic options: Making foreign labor more expensive or, making national labor cheaper.

Gradually increasing the cost of all or specific types of foreign labour
To some extent, increasing wages in countries of origin have already contributed to higher expatriate wages in Kuwait – but the effect has been too small to substantially affect the labor cost gap in all but a few segments of the labor market. Kuwait now also has a minimum salary of 60 KD for expatriates, which appears to be increasingly respected by employers. While this is a laudable policy from a human rights standpoint, this too has little effect on bridging the labor cost gap to nationals in relevant sections of the labor market.

There are however other reasons for adopting a low, generic fee on foreign labor that are more cogent. First, a lump sum fee would make low-skill foreign labor proportionally more expensive than high-quality labor: As wages for qualified workers are much higher, the fee would constitute a much smaller share in their overall employment cost. This would incentivize the importation of more productive foreign workers and a general shift of the Kuwaiti economy towards more technology- and skills-intensive production. It could allow for a reduction of the overall number of foreign workers in the country while maintaining current production levels, and it would generate higher-quality jobs that in the mid- to long-term could be Kuwaitized much more easily.

A further and more immediate benefit of a fee regime would be that it would generate financial resources that could be used for other labor market policies – for example, as will be elaborated below, a deepening of the existing wage subsidy system from which employers also benefit. A generic fee on foreign labor would be easy to implement and hard to manipulate; although imposing some cost on business, it would be a much more predictable and equitable regime than the Kuwaitization quotas, which can be manipulated and affect different companies to very different extents.

Better targeted subsidies
In the short run, the labor cost gap cannot be closed through fees on foreign labor. A more promising tool for narrowing the gap is the subsidization of national wages. The existing system for subsidizing national employment likely has had a considerable impact on Kuwaitization levels. Kuwait is a rich country, but one with uniquely low salary levels and hence earnings opportunities for nationals in the private sector. There is a strong political and, some would argue, moral rationale for sharing some of the government's oil rents with the citizenry. Doing so through wage subsidies that help to productively

integrate nationals in the private labor market seems a wiser use of these rents than the financing of much more expensive surplus jobs in the nation's bureaucracy.

Further reform of the labour sponsorship system
A combination of a generic fee on expatriate labor and a generic subsidy for Kuwaiti workers appears to be the most straightforward way of narrowing the labor cost gap in the Kuwaiti market. Such price-oriented policy tools would provide natural incentives to hire Kuwaitis instead of forcing their employment by decree, which has led to unproductive surplus employment and costly manipulation.

Fees and subsidies by themselves can narrow or close the wage gap. However, there are other ways in which the employment costs of nationals and expatriates differ, notably in terms of the higher mobility that nationals enjoy, which makes it riskier and thereby costlier to hire and train them. In principle, this non-wage cost gap could be compensated for through even higher subsidies that would create a negative wage gap. In practice, it would be difficult to identify the right level of subsidies. Moreover, too high subsidies could reduce the variable portion of Kuwaitis' incomes – the gross wage paid by employers – to such a small share in overall income that incentives to work longer hours and progress in one's career would be undermined.

Instead, Kuwait should further pursue the relaxation of the sponsorship system, which has already been partially reformed in recent years. Although the new labor law has somewhat leveled the playing field between nationals and expatriates, employers still enjoy a legal or de facto veto over expatriates' mobility to other employers in some circumstances, most notably through the 3 year rule. To allow Kuwaitis to compete on a level playing field in the private labor market, expatriates needs to be as mobile as nationals. One prevalent worry is that businesses might incur considerable cost in importing employees only to lose them to competitors. This however could be addressed through a mechanism in which either employee or new employer have to reimburse the original sponsor according to some standard scale for the costs incurred provided the transfer happens before a certain cutoff point. The aggregate gains in the productivity of foreign labor are quite likely to offset any individual-level losses.

Wider reforms of the distributional system in Kuwait
The above policy proposals have stayed within the realm of labor and migration market policies. We have however seen that there are important factors beyond the control of the labor administration that strongly influence the conditions for Kuwaitization, most notably the government's current public sector recruitment policies. As long as these do not change, Kuwaitization will remain an uphill struggle, and the efficacy of the above policy tools will be compromised.

This is not to say that the above policies are not worth implementing and monitoring under current circumstances – they most likely are – but to point to larger-scale distributional issues that will require addressing in the mid- to long-run to reach a sustainable solution for Kuwaitization. Addressing these issues will have to involve constituencies and institutions that go far beyond the labor administration and national employees in the private sector. It will require creative rethinking of the whole distributional bargain that Kuwaiti state-society relations are based on.

Reform of public sector recruitment and retention policies
Public sector employment policies are the single most important factor driving up Kuwaiti wage costs in the private sector and limiting the supply of qualified Kuwaitis for private employers. The recent wave of hiring and increases in benefits is likely to have a deleterious impact on Kuwaitization.

Extensive and well-studied proposals on civil service reform are already available in Kuwait, notably in the shape of a 2008 World Bank report commissioned by the government. To touch something as fundamental as public employment however requires a public debate that goes far beyond technocratic considerations behind closed doors.

A first regard in which the government could demonstrate leadership would be to make a clear statement about the problem of over-employment and low productivity in the public sector, and about how it undermines Kuwaitis' opportunities to realize themselves through skill acquisition and productive work. Public sector hiring has to become more selective, competitive, and based on the actual needs of the Kuwaiti administration.

One "quid pro quo" would be the provision of higher wage subsidies in the private sector that are indexed to public service pay levels. This option has been laid out above. There are a number of reasons why this could be insufficient however, among them opportunities to manipulate subsidies and the fact that some nationals might simply be unwilling to accept the working conditions in the private sector, instead seeking low-effort civil service positions for a guaranteed income.

A citizens' income
There is another, larger and simpler idea that could convince Kuwaiti citizens to give up some of their implicit right to guaranteed employment in the public sector: The provision of an unconditional basic income to all adult nationals – a "citizens' income".

A citizens' income could replace existing wage subsidies as well as a plethora of other tools of distribution and subsidization, most prominently the prevailing low energy tariffs that come at an enormous fiscal cost to the Kuwaiti state.

A citizens' income would provide an ironclad guarantee that no Kuwaiti has to go hungry and everyone's basic livelihood is provided for. In its most basic form, it would be conditional only on Kuwaiti citizenship and a certain minimum age – 20 years e.g. – and hence would be extremely difficult to manipulate. It would be very fair, transparent and easy to administer. Much of the politically problematic discretion and manipulation involved in current distributional policies in Kuwait could be eliminated.

Source: Excerpts from our policy research report titled "Involving Kuwaitis in the Private Labor Market". To find out more details, please visit www.e-marmore.com

GCC Regulatory Update – Q4 2014

Reforms Checklist – Q4 2014

Sector	Kuwait	KSA	UAE	Qatar	Oman	Bahrain
Financial Services		√	√			√
Education					√	
Governance	√	√		√		
Foreign Investment						
Infrastructure/Transport						√
Taxation					√	
Insurance			√		√	
Utilities			√			
Trade			√			
Healthcare		√				
Labour	√					
Private Enterprise	√			√		

Source: Marmore Research

In the last quarter of 2014, the focus has shifted more towards reforms and activities around governance. It could be the potential fallout due to a dramatic slide in oil prices. Kuwait took the first tentative steps towards rationalization of its subsidies regime, with announced possible cuts in diesel and kerosene subsidies. The country is commencing the process of rebalancing the population ratio, also, due to the fact that expatriates outnumber nationals by a great degree. Thus, the effort to launch caps on residency time periods for expatriates is gaining pace.

However, the Kingdom of Saudi Arabia is looking forward towards extending the residency time periods for expatriates. This could be due to lessons gained from the practical implementation of the 'Nitaqat' programme. Meanwhile, the Emirate of Abu Dhabi in the UAE has taken the bold reform step of hiking water and electricity tariffs, starting from January 2015. Overall, the UAE is seeing some interesting developments in the banking and foreign exchange space, as well, even as the country readies itself for the next phase of its economic diversification programme.

On the other hand, Qatar is focusing on creating a level playing field for the private sector vis-à-vis public sector companies in order to encourage economic diversification. Also, the country is taking strong steps towards promoting greater transparency with respect to availability of government data to the public. Oman is in the process of integrating its insurance companies better into the capital markets' structure; while Bahrain is in the midst of centralizing oversight for Islamic finance products in the country through the formation of a central sharia board for Islamic banks.

Kuwait

Governance

Kuwait moves toward cutting diesel, kerosene subsidies in key reform *[Source: Thomson Reuters]*

In October 2014, it was reported that the Kuwaiti cabinet had accepted a report in order to take forward the discussion on cutting subsidies on diesel and kerosene. The report was submitted by a committee at the Ministry of Electricity and Water. In the report, prices for diesel and kerosene were recommended to be increased to KD 0.170 (or ~59 U.S. cents) per litre from KD 0.055.

Labour

Kuwait 5-year expat residency cap a step nearer *[Source: Gulf News (Al Nisr Publishing LLC)]*

It was reported in November 2014 that a bill calling for the imposition of a five-year residency cap on expatriates or foreigners in Kuwait was cleared by the national parliament's legal and legislative committee. The bill is widely seen as a step towards balancing the current skewed population ratio with respect to nationals and expatriates.

Kuwait curbs driving licence for expats *[Source: Emirates 24/7]*

Reports released in November 2014 indicated that expatriates who earn less than KD 600 will be banned from driving in Kuwait. The previous slab stood at KD 400. However, expatriate professionals from select professions, such as journalism, have been excluded from the new rules.

Expats allowed to seek part-time jobs in 2015 *[Source: Kuwait Times]*

Reports emerged in December 2014 that expatriates or foreigners across Kuwait's private sector will be permitted to seek part-time jobs in other companies. The measure is set to come into force from 2015. The step is expected to add to the Kuwaiti labor market without further increasing the number of foreigners living in the country.

Private Enterprise

Kuwait finalising GCC's first insolvency law *[Source: Arabian Business Publishing Ltd.]*

Reports emerged in December 2014 that Kuwait is in the process of finalizing what could be the GCC's first insolvency legislation. The legislation is designed to aid failed businesses to recover from financial difficulties, rather than being closed down permanently, which in turn leaves connected creditors in the lurch.

The Kingdom of Saudi Arabia

Governance

Saudi Arabia to issue 5-year residency permits for expats *[Source: Gulf News (Al Nisr Publishing LLC)]*

Media reports that emerged in November 2014 revealed that expatriate workers in the Kingdom are likely to have the validity of their residency permits in the nation extended to five years. This stands in contrast to the one year that is the current validity period.

Financial Services

Saudi Arabia to introduce credit rating agency rules in September 2015 *[Source: Gulf News (Al Nisr Publishing LLC)]*

The Kingdom's capital market regulator is set to introduce rules for credit agencies in September 2015, as part of reforms aimed at upgrading the financial sector. The rules will outline the conduct, activities and oversight procedures with respect to the credit rating agencies. The move is expected to help in the further development of the Kingdom's capital markets.

Healthcare

Saudi Arabia Liberalises Investment Rules In Healthcare Sector [*Source: Gulf Business]*

Reports emerged in December 2014 that indicated that the Kingdom has introduced new rules in order to liberalise the healthcare sector further. As part of the new rules, the KSA will permit appropriate foreigners and nationals who are not healthcare professionals to run medical facilities. Also, experienced healthcare professionals will be allowed to move freely within medical institutions in the country.

The United Arab Emirates

Financial Services

New law may allow UAE Central Bank to fine bankers *[Source: Arabian Business Publishing Ltd.]*

The UAE's Central Bank may deploy fines on banks as part of new banking laws aimed at overhauling the financial services sector in the country. Media reports revealed the development in November 2014, but no details are currently available as to for what the fines would be for and the quantum of the fines. The new law is not expected to be pressed into operation until at least early 2015.

Trade

UAE may create body to monitor FX peg, no policy change likely *[Source: Thomson Reuters]*

Reports came out in November 2014 that hinted that the UAE's Central Bank may review the country's currency peg with respect to the American dollar. An advisory body to the UAE government reportedly made the suggestion. However, some connected lawmakers have reportedly declared that a change to the peg remains unlikely over the foreseeable future.

Insurance

New regulatory regime for insurance brokers in the UAE

[Source: Globe Business Publishing Ltd]

Reports that came out in September 2014 revealed that insurance brokers in the UAE will be subjected to a new legal regime that mandates a rise in minimum capital, financial guarantees and professional indemnity insurance. Also, for obtaining a license, a broker must now employ a "technical cadre" of specified professional qualifications and experience.

Utilities

New utility tariffs for Abu Dhabi residents *[Source: The National]*

In November 2014, it was declared that the residents in the Emirate of Abu Dhabi will have to abide by increased tariffs for electricity and water, starting from January 2015. The announcement was made by the Regulation and Supervision Bureau in collaboration with Abu Dhabi Distribution Company (ADDC) and Al Ain Distribution Company (AADC); and is based on differential pricing, both in terms of types of residents (nationals and expatriates) and usage levels.

Qatar

Private Enterprise

Emir announces series of steps for private sector *[Source: The Peninsula Qatar]*

It was reported in November 2014 that the Emir of Qatar, H H Sheikh Tamim bin Hamad Al Thani, announced that the Qatari government has taken several steps in order to support the private sector to emerge as the key player in the nation's economic activities. For instance, a circular has been released that restricts public companies from establishing companies or engaging, without prior permission from the Office of the Prime Minister, in economic activities in spheres where private players are active.

Governance

Open Data Policy to promote transparency in governance *[Source: The Peninsula Qatar]*

In December 2014, the Qatari Ministry of Information and Communications Technology (ictQATAR) released its 'Open Data Policy'. As per the policy, the government will promote making available government statistics on a publically available platform, which would allow users to fully discover the data and make use of them, as well. The data release will be in accordance with legal provisions in order to safeguard issues like privacy, security, confidentiality, etc.

Advisory Council approves financial system law *[Source: Government of Qatar]*

In December 2014, the Qatari Advisory Council approved a draft law on issuing the financial system law of the state. The law includes 45 articles and seven chapters that contain draft regulations on the financial policy of the state, the nation's sources of revenue and state expenditures. The draft law was announced as coming under the oversight of the Ministry of Finance.

Oman

Education

State Council okays education centres in Oman *[Source: Times of Oman]*

The Omani State Council has approved proposals, forwarded by the education committee, to set up a national centre for educational resources and e-learning. The education committee has also been approved to study the overall situation with respect to education for people with disabilities, so as to better integrate them into the workforce.

Insurance

New regulations to strengthen Oman's insurance sector *[Source: Gulf News (Al Nisr Publishing LLC)]*

The Omani Capital Market Authority issued new regulations that require Omani insurers to be listed on the Muscat Securities Market. Also, the insurers will have to maintain capital of at least OMR10 million (or ~$26 million). The move was in line with the objectives of increasing capital market access for insurers, enhancing transparency and overall stabilization of the insurance market in the country.

Taxation

Oman considers remittance tax on expats *[Source: Business Standard Ltd.]*

Reports emerged in November 2014 that Oman's Majlis al-Shura, or the lower house of the council of Oman, has approved the proposal for a 2% levy on the billions of rials that expatriates remit home every year. The move was made in order to help surmount a budget deficit due to recent steep fall in oil prices.

Bahrain

Financial Services

Bahrain to develop central sharia board for Islamic banks *[Source: Thomson Reuters]*

It was announced in December 2014 that Bahrain's central bank was in the process of establishing a central sharia board in order to supervise Islamic finance products in the nation. The move was in line with the global trend of a centralized model in terms of ensuring sharia-compliant products, away from self-regulation by Islamic banks, alone.

Infrastructure/Transport

Bahrain to introduce new traffic law in February *[Source: Arabian Business Publishing Ltd.]*

It was reported in December 2014 that Bahrain will introduce a bolstered new traffic law from early February 2015. The new law will witness punishments from some motoring violations quadruple. However, the much debated ban on expatriates' driving has been excluded from the newly introduced rules.

MENA Data at a Glance

	GDP Growth (%)	Current Account as a % of GDP	Fiscal Surplus as a % of GDP	Inflation Rate (%)	Interest Rates (3m) **(%)**
	2015f	2015f	2015f	2015f	4Q 2014*
Bahrain	2.9	6.3	-5.7	2.3	0.3
Egypt	3.5	-3.9	-11.1	13.5	5.5
Jordan	4.0	-6.9	-3.2	2.6	0.3
Kuwait	1.8	38.5	26.3	3.5	0.7
Morocco	4.7	-5.8	-5.3	2.0	2.4
Oman	3.4	5.5	0.2	2.7	0.3
Qatar	7.7	23.1	9.0	3.4	0.4
Saudi Arabia	4.4	12.4	1.6	3.1	0.2
UAE	4.4	11.7	10.3	2.5	0.4

Source: IMF, Reuters; *- Last 3 months average

MARMORE MENA INTELLIGENCE A المركز MARKAZ subsidiary

www.e-marmore.com

Research Library (Complimentary Research)

Capital Markets Researches

- Daily Morning Brief
- Kuwait Daily
- Fixed Income Update (Daily)
- Monthly MENA Markets Review
- International Market Update (Monthly)
- GCC Equity Risk Premium (Quarterly)
- GCC Corporate Earnings (Half Yearly)
- GCC Markets Outlook (Half Yearly)
- Global Markets Outlook (Annual)
- Saudi Arabian Markets Set to Open (2014)
- MENA Asset Management Policy Perspectives (2013)
- Including GCC in the MSCI EM Index (2012)
- Alpha Abound: A Study to explore Alpha generation in GCC (2012)
- Kuwait Investment Sector (2012)
- GCC Defensive Bellwether Stocks (2012)
- GCC SWFs: The Golden Portfolio (2010)
- Persistence in performance: The GCC Experience (2010)
- This Too Shall Pass: What can we expect in 2009 for GCC Markets? (2009)
- Mr. GCC Market-Manic Depressive (2008)
- To Yield or Not To Yield: Examining the Potential of Yield Stocks in GCC (2008)
- Derivatives Market in GCC (2007)

Regulatory Researches

- GCC Regulatory Digest (Quarterly)
- Kuwait's BOT law (2014)
- Land Reforms in Kuwait (2014)
- Kuwait's PPP Law (2013)
- Bankruptcy Law in the GCC (2013)
- Got a CMA (Kuwait): What Next? (2012)
- The New Regulations for Kuwait Investment Sector (2010)
- Wanted: A Kuwait Capital Market Authority (2010)
- To Leap or To Lag: Choices before GCC Regulators (2007)

Economic Researches

- Cloud Computing (2014)
- GCC Free Trade Zones (2014)
- Disruptive Technology: Bitcoins (2014)
- The Internet of Things ! Big Data (2014)
- Kuwait Credit Growth (2014)
- Kuwait SME's (2014)
- Multiple directorships in KSA (2013)
- GCC Demographic Shift (2012)
- How is GCC preparing for a "AA+" World? (2011)
- Kuwait Development Plan (2011)
- Political Risk moving to the forefront in MENA: Impact Analysis (2011)
- Diworsification - The GCC Oil Stranglehold (2009)
- The Vicious "Square": Monetary Policy Options for Kuwait (2008)

Policy Researches

- Oil & Gas Markets and the Emergence of New Resources (2014)
- GCC Countries & Asia: Bolstering Energy Ties (2014)
- GCC Energy Strategies: The Way Forward (2014)
- Blueprint for Public Sector Good Governance in Kuwait (2013)
- Kuwait - Private Labor Market (2013)
- Kuwait - Alternatives for Power Generation (2013)
- Kuwait - Sustainable Power Strategy (2012)
- Tools to Strengthen & Support Kuwait's Private Sector (2012)

Periodic Reports

Daily

- Morning Brief
- Fixed Income Update
- Kuwait Daily

Monthly

- MENA Markets Review
- International Market Update

Quarterly

- Equity Risk Premium
- GCC Regulatory Digest

Half yearly

- GCC Markets Outlook
- GCC Corporate Earnings

Annual

- Global Markets Outlook

MARMORE MENA INTELLIGENCE A MARKAZ subsidiary

www.e-marmore.com

Research Library (Paid Research)

Infrastructure Researches*

Power	
GCC	MENA (Ex- GCC)
Egypt	KSA
Kuwait	UAE
Qatar	
Ports	
GCC	KSA
Kuwait	UAE
Qatar	Oman
Aviation	
GCC	GCC Full Service Carriers
GCC Low Cost Carriers	Kuwait
KSA	UAE
Water	
GCC	Qatar
KSA	Kuwait
ICT	
GCC	KSA
UAE	Kuwait
Qatar	
Roads and Railways	
GCC	KSA
Qatar	
Real Estate	
GCC Office RE	GCC Affordable Housing
GCC Residential RE	

Sector Researches*

Healthcare
GCC, KSA

Education
GCC, KSA

Family Business
GCC

Wealth Management
GCC

Banking
GCC, Kuwait

Hospitality
GCC

Retail
GCC, Luxury - GCC, Online – GCC

Asset Management
MENA, KSA, UAE, Egypt

Islamic Finance
GCC

Investment Banking
GCC

Insurance
GCC, KSA

Media
GCC - Print, TV, Digital

Social Media
GCC

Petrochemicals
GCC, Kuwait, KSA

Contracting
GCC

Metals & Mining
GCC

Research - Knowledge Gap
GCC

FIFA World Cup 2022
Qatar

Women Investors
GCC

Corporate Profiles*

Abu Dhabi National Hotels Co (UAE)

Air Arabia (UAE)

EMAAR Properties (UAE)

Kuwait Food Co (Kuwait)

Qatar Insurance Co (Qatar)

Qatar National Bank (Qatar)

SABIC (KSA)

Saudi Electricity Co (KSA)

Saudi Telecom (KSA)

Savola Group (KSA)

The National Shipping Co. of Saudi Arabia - BAHRI (KSA)

Access Our Reports

- Bloomberg - "MRKZ" <Go>
- Thomson Research,
- Reuters Knowledge
- Nooz
- Zawya Investor
- ISI Emerging markets
- Capital IQ
- FactSet Research Connect
- TheMarkets.com

*Paid reports ranging from US$250-$500

Subscription Options

Selective Access

USD 1,000 / Yr.

Download up to **5** paid reports in a year

- Select and download **5** reports from our database of paid research reports. Subscription is valid for a year.
- New reports are constantly being added to our database, providing an option to download latest reports within the subscription period.

Wide Access

USD 2,000 / Yr.

Download up to **10** paid reports in a year

- Select and download **10** reports from our database of paid research reports. Subscription is valid for a year.
- New reports are constantly being added to our database, providing an option to download latest reports within the subscription period.

Unrestricted Access

Best Value

USD 3,000 / Yr.

Access and download **all** our paid reports for a year

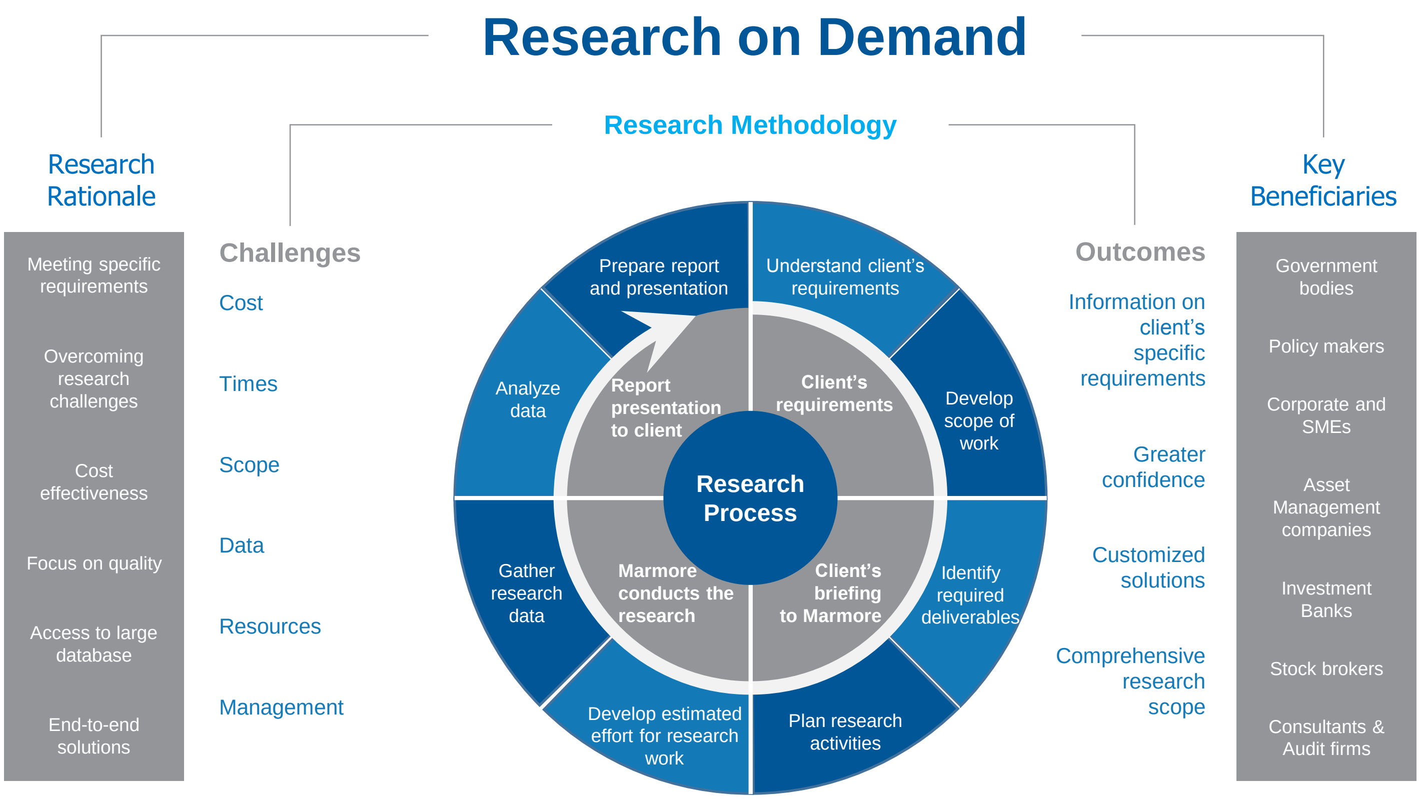
- Select and download **any** report from our database of paid research reports. Subscription is valid for a year.
- New reports are constantly being added to our database, providing an option to download latest reports within the subscription period.

Note:

- The above pricing is to obtain a single user license to use the PDF report file for one user only. If you wish to subscribe for more than one user, please send us an enquiry at info@e-marmore.com
- Select reports priced US$1,000 and more are excluded from the Subscription Packages.
- For reports that are available for download on “On Request”, the subscriber will be required to send the request.

Research On Demand

We conduct customized researches based on specific requirements of our clients



Marmore MENA Intelligence

A 'Markaz' Subsidiary

About Marmore

Marmore MENA Intelligence Ltd. (**Marmore**) caters to the growing research and information needs of organizations in the Middle East and North Africa (MENA) region. We offer full-fledged research services covering economies, capital markets, sectors and companies - focused on the MENA region.

We also provide research services to assist our clients in investment decision-making, scanning markets to identify investment opportunities, conducting ad-hoc researches to understand niche market segments, and other need-based, bespoke researches.

To know more about us, please visit our website at www.e-marmore.com or write to us on info@e-Marmore.com or call us at +965-2224 8280.