

# the INVESTOR

Issued by Union of Investment Companies (UIC) - March 2018 - Issue No.2



GLOBAL DEMOGRAPHICS  
AND THE IMPLICATIONS  
FOR INVESTORS

STARTUPS FOR THE  
KUWAITI SOUL

WHERE DOES  
KUWAIT STAND  
WITH FDI?

KUWAIT TO PASS LAWS ON  
BANKRUPTCY, INSOLVENCY  
AND AUDITORS, **AL-ROUDHAN**  
TELLS *THE INVESTOR*



# DEVELOPING PROMISING

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EDUCATION, INFORMATION, RESEARCH  
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UNION OF INVESTMENT COMPANIES

## Investment companies and upgrading Boursa Kuwait



Kuwait seeks to achieve its 2035 vision with a focus on developing non-oil sectors, the most important of which is investment, which is highly significant in achieving an integrated development plan as well as value-addition and competence of Kuwait's economy on both regional and international levels.

In a major strategic step towards achieving this vision, UIC continues to review local and regional economic developments and closely follows up the challenges faced by the region in general and Kuwait in particular, bearing in mind the recent substantial shift of upgrading the Kuwait Stock Exchange (Boursa Kuwait) as an 'Emerging Market', thanks to the efforts exerted by the Capital Markets Authority, Boursa Kuwait and Kuwait Clearing Company in applying the highest legislative and regulative standards.

The upgrade to an emerging market will positively lead to attracting both local and foreign investments, be they individual, corporate or by local and international corporations, with the result of increasing capital flows, liquidity and diversifying the tools of investment at Boursa Kuwait, which will benefit the national economy in general and investment companies in particular.

As a result of this upgrade, Boursa Kuwait joined the FTSE index of secondary emerging markets that is based on listed companies' market value and is issued by FTSE Russell. In its initial report, the company nominated nine Kuwaiti companies listed on Boursa Kuwait to be included in the FTSE index to reflect the image of leading and strategic companies in Kuwait.

Here comes the role of UIC in the form of the hard work and constant contact with the CMA and Boursa Kuwait to make this upgrade process successful and start

paving the way for investment opportunities that suit the goals and ambitions of international investors, reviewing new laws and legislations serving investment companies operating in Kuwait, providing specialized advice and consultancy, and having UIC's professional arm - the Investment Studies Center (ISC) - hold seminars and workshops that would contribute to the observation of the new investment tools by investment companies' staff, in addition to holding proper training courses on the latest developments and new investment elements.

We are working hard to constantly communicate with all the sides involved in investment in order to develop the investment sector's legislative and organizational infrastructure as well as supervisory and monitoring systems. We do hope to make the Kuwait investment sector a regional role model for regional investment companies to follow.

With the aim of boosting investment awareness of all investment companies operating in our beloved country, we, the UIC, will spare no effort in responding to all suggestions and inquiries we receive.

Finally, we at UIC are constantly working on developing our missions and goals, hoping to be up to your anticipations and expectations. We always welcome your remarks and proposals to achieve such goals.

Speaking for myself and on behalf of all UIC staff members, I would like to thank you for reading the second issue of our magazine, hoping that it will meet the ambitions of those working in investment or interested in it, and with Allah's assistance, hope to make it locally, regionally and internationally better.

Bader Nasser Al-Subai'e

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## Special Situations Asset Management

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## Kuwaiti firms investing in UAE

Kuwaiti businesses are growing in the UAE. The number of Kuwaiti firms operating in Dubai jumped from 405 companies in 2015 to 592 by end of 2016, according to the Dubai Chamber of Commerce. Companies include everything from well-established corporations to local startups spreading out regionally.

### VAT to increase costs for real estate investors

**KUWAIT:** A survey of local investment professionals across the GCC region reveals that real estate is likely to become a costlier investment following the implementation of value-added tax (VAT) in January 2018. The survey assessed the views of CFA society members in the United Arab Emirates, Bahrain and Kuwait. With VAT set to be applied on the first sale of properties, 87 percent of investment professionals said that some or all of the additional expenses incurred by real estate firms will be passed on to investors.

Other findings showed that over half (54%) of CFA Society members surveyed believe that retail investors will be impacted more than institutional investors from the rollout of VAT, with only 4% stating that institutional investors would face greater impact.

Additionally, a majority of the investment professionals surveyed indicated that their international business partners are not being deterred by the introduction of VAT, with only 18% saying that this is creating a negative reaction from them.

“The concerns regarding VAT in the region are largely one of perception rather than policy. While it is true that certain areas of the economy will witness marginal higher costs being incurred, this should not deter regional and international investors in a significant way,” explained Mijbel Al Qattan, CFA, President of CFA Society Kuwait. “Additionally, with the government revenue this will generate, liquidity levels in the

market are expected to improve; which should increase investor confidence and appetite.”

Greater regulation, event with taxation could be a plus, Al Qattan argues.

“In the eyes of investors, creating a more regulated environment with greater financial transparency should be a positive development since this is the model in developed economies,” he said. “Given that taxation at higher rates is a norm around the world, the GCC will continue to be attractive as average tax rates are lower than almost all other major markets. With regional financial markets expanding, the potential MSCI inclusion for Saudi Arabia, investment in commercial infrastructure and economic diversification programmes underway, the GCC will continue to remain a market of opportunity for the investment community.”

Respondents also indicated that their companies are either in the process of getting ready (37 percent) or unprepared (25 percent) for VAT implementation in January 2018; with 22 percent saying that their firm has made the adequate preparations for VAT implementation.

### Methodology

The survey was conducted online from 19th September to 7th October 2017. Participants included 140 CFA members of CFA Societies in the United Arab Emirates, Bahrain and Kuwait.

## Investment & the GCC's energy future

The GCC's energy balance will shift in the years to come as the region diversifies away from oil and gas both as a revenue source and energy source. Between 2017 and 2040, the Middle East & North Africa (MENA) region will see 530GW of new power generating capacity coming online. Around 358GW, or 63%, will be in renewables and 130GW, or 23%, will be gas, according to Bloomberg's latest New Energy Outlook 2017.

Bloomberg also predicts that installed power generating capacity in the MENA region will move from 93% fossil fuels to 53% zero-carbon over the 2017 to 2040 period. The region becomes less reliant on oil and more reliant on gas. Gas provides over half of generation by 2040; coal and gas capacity in MENA fall from 93% to 47% as renewables grow sixteen-fold by 2040. Meanwhile, two thirds of all new capacity additions to 2040 will be solar and wind, driving \$361 billion of investment.

# IMF:

## Budget financing options and potential macro-financial implications for Kuwait



With a few exceptions, Kuwait has not had to borrow for decades, and its domestic debt markets have therefore remained underdeveloped. The country has recorded budget surpluses since the early 1980s, with the exception of first half of the 1990s.

With the emergence of budget deficits and financing needs since 2015/16, the government has had to reassess its fi-

ancing strategy. The current plans entail a combination of (i) domestic and external borrowing; (ii) a drawdown of GRF assets; and (iii) continued mandatory transfers to the FGF to be invested in higher-yielding assets. The government has also taken initial steps to develop its debt management capacity by establishing a high level debt management committee, supported by a newly-created

## Investment Companies Operations

### Investment Companies' Operations, 2002–2016

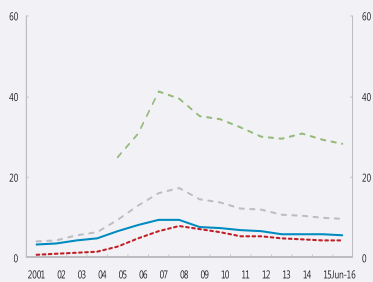
(KD billions)

	2002	2005	2007	2008	2009	2010	2011	2012	2013	2014	2015	June 2016
<b>Investment companies</b>												
<b>Conventional</b>												
Number	27	33	40	46	46	46	44	43	42	40	38	36
Assets	3.5	6.7	9.4	9.5	7.6	7.3	6.9	6.6	5.9	5.8	5.7	5.4
<b>Islamic</b>												
Number	11	23	38	53	54	54	51	50	50	49	47	45
Assets	0.9	2.8	6.6	7.8	7.0	6.5	5.4	5.2	4.8	4.7	4.3	4.3
<b>Conventional + Islamic</b>												
Number	38	56	78	99	100	100	95	93	92	89	85	81
Assets	4.3	9.4	16.0	17.3	14.6	13.7	12.3	11.9	10.7	10.5	10.0	9.7
<b>Off-balance sheet</b>												
Assets		15.5	25.4	22.2	20.4	20.6	20.1	18.1	18.9	20.2	19.2	18.6
<b>Total Assets</b>	4.3	25.0	41.4	39.5	35.0	34.3	32.4	30.0	29.6	30.8	29.2	28.2
<b>Percent of GDP</b>		105.8	127.0	99.7	114.9	103.7	76.0	61.6	59.9	66.4	85.1	84.5
<b>Percent of banking assets</b>		115.6	116.4	100.7	86.9	82.9	76.6	64.7	58.9	56.0	50.7	47.2

### Assets, 2001–June 2016

(KD billions)

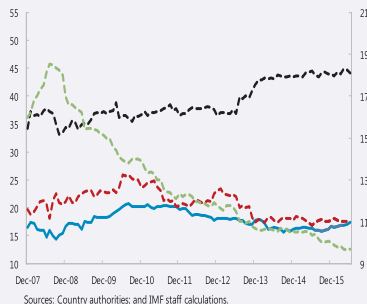
- Conventional investment companies
- - - Islamic investment companies
- - - Total of investment companies including fiduciary
- Total of Conventional and Islamic



### Foreign Liabilities, 2007–June 2016

(KD billions)

- Financing from Local Banks (percent of total liabilities)
- - - Foreign Liabilities (percent of total liabilities)
- Own Funds (percent of total liabilities)
- - - Total Liabilities (rhs)

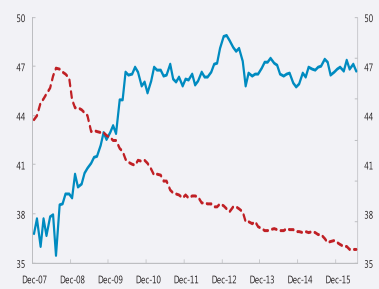


Sources: Country authorities; and IMF staff calculations.

### Foreign Assets, 2007–June 2016

(KD billions)

- Foreign Assets
- - - Total Assets (rhs)



debt management unit (DMU).

Choosing the financing mix in the context of a comprehensive asset and liability management (ALM) framework is important. This entails basing decisions not only on the cost of borrowing versus return on assets, but also the financial characteristics of sovereign's assets and liabilities to limit potential mismatches and risks, including interest rate and exchange rate risks.

The tradeoffs should also be viewed from a self-insurance perspective, where higher borrowing costs can be seen as an insurance premium against possible liquidity shocks. Increased formal coordination between the ministry of finance, the CBK, KIA, and other relevant agencies, and improvements in the timeliness of published fiscal accounts and the disclosure of government assets would help ensure effective asset and liability management.

Financing mix decisions should also be guided by a broader set of institutional, financial and macroeconomic considerations. These include macroeconomic conditions, absorptive capacity and de-

gree of domestic financial market development, and institutional capacity, including of managing debt.

The potential macro-financial consequences of the various financing options, for example on banks, liquidity, private sector credit, and central bank reserves should be carefully assessed. In this context, external borrowing would help mitigate pressures on domestic liquidity and support central bank reserves. Establishing risk-free government yield curves through domestic and external borrowing would also help develop the private debt market.

Effective debt management and development of the debt market require sound institutional and legal frameworks. To this end, a formal debt management strategy with clear objectives and division of responsibilities among concerned agencies, operationalizing the DMU, developing cash management capacity, and moving towards a market-based auction system that allows for price discovery would be important. Other key steps include broadening the investor base (to include Islamic



banks, investment companies, the pension fund and insurance companies), addressing legal constraints to government borrowing and sukuk issuance, and developing the secondary markets to facilitate

the development of financial markets for corporates.

Source: IMF Country Report No. 17/15 - January 2017

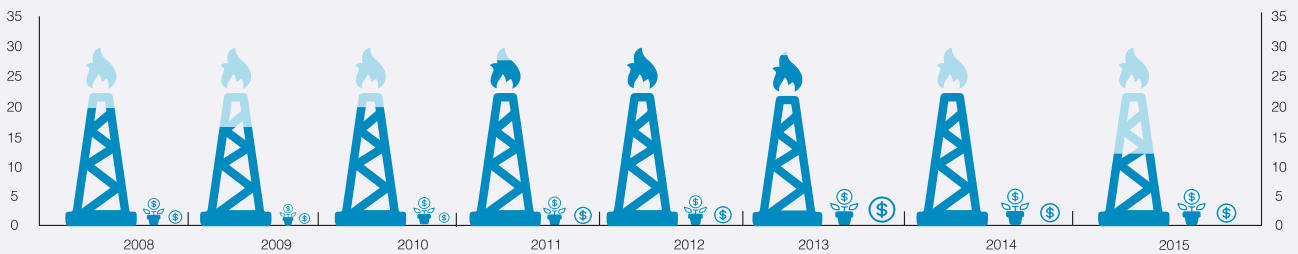
1 See IMF Selected Issues Paper "Budget Financing Options and Potential Macro-Financial Implications".

2 Financing through drawing assets in the GRF or external borrowing would result in equivalent transfers of foreign exchange to the government's account at the CBK.

## Fiscal Developments

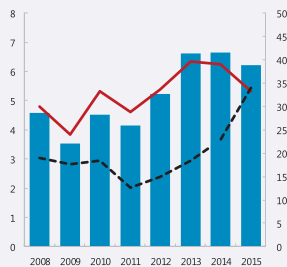
**Kuwait Government Revenues, 2008–15**  
(KD billions)

Oil Investment Other Non-Oil



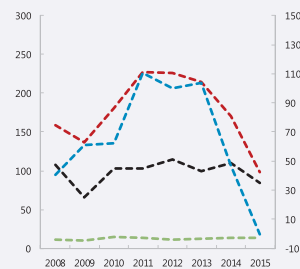
**Non-Oil Revenue, 2008–15**  
(KD billions; unless otherwise specified)

Non-oil revenue  
Non-oil revenue/non -oil GDP (rhs)  
Non-oil revenue/Total revenue



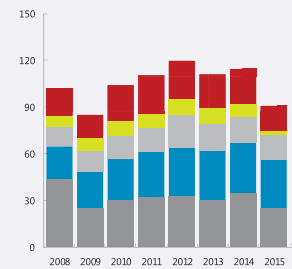
**Spending, Revenue and Overall Balance, 2008–15**  
(Percent of non oil GDP)

Revenue 1/  
Current expenditure 1/  
Capital expenditure 1/  
Balance (RHS) 1/



**Current Spending Composition, 2008–15**  
(Percent of non-oil GDP)

Subsidies  
Defense  
Non-Military Goods/Services  
Wages and Salaries  
Transfers

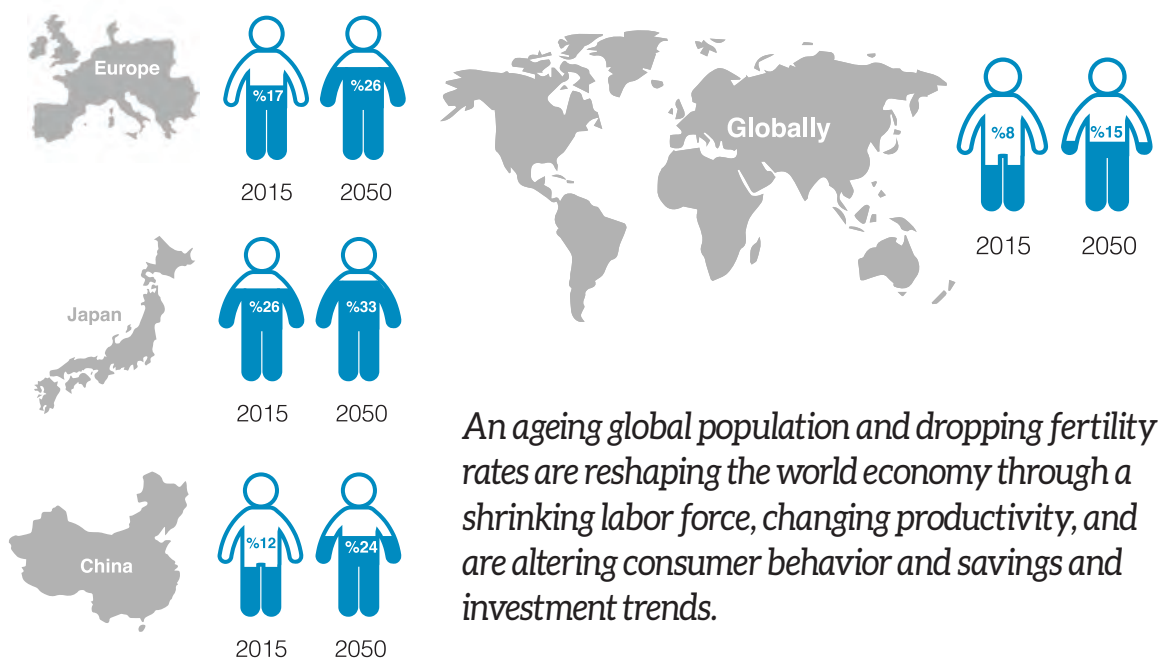




# Investment implications of global demographic shifts

## Demographics are changing

Big rise expected in the +65 aged population  
Source: United Nations



## NBK • CAPITAL

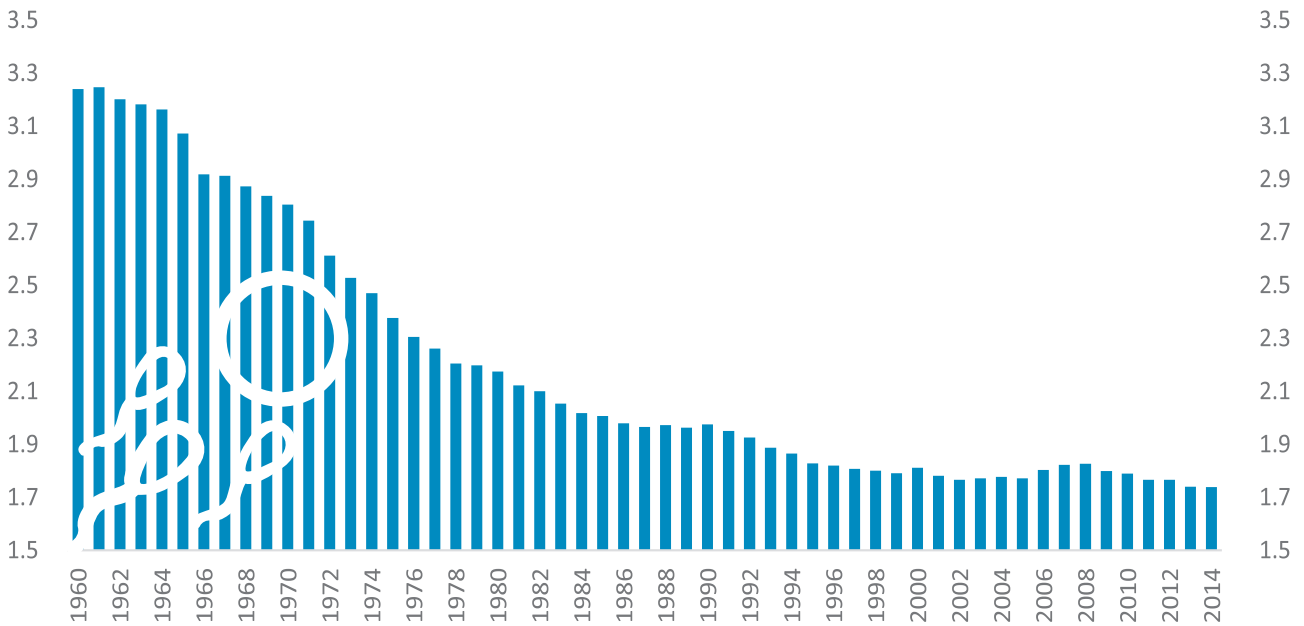
As people live longer and fertility rates drop around the globe, the world population is ageing and the overall workforce is shrinking. This is developing into a major concern, especially for industrialized nations where fertility rates have dropped below the long term maintenance level of 2.1 and where an expanding elderly population is exercising pressure on economic resources through increasing demand on healthcare services and pension plans.

Societies across the globe are ageing, with the cohort of older people that have retired

or are about to retire (aged 64+) increasing much faster than the young cohort (aged 0-15) which are supposed to replace the retirees to preserve a balance in the workforce. Such changes will alter macroeconomic variables through channels such as savings and investment behavior, spending patterns, ability and willingness to take investment risks, and labor force productivity.

Such demographic shifts could have serious economic consequences, such as low inflation, low interest rates, less effective monetary policy, and lower productivity and economic growth across the world.

## Fertility Rate - OECD



Population growth was found to affect inflation positively, moving aggregate demand higher and faster than aggregate supply, thus leading to inflation. When the opposite happens, it is only logical to conclude that it will be deflationary. This has significant implications on the spending patterns of the general population. Younger cohorts are generally net borrowers and their consumption patterns tend to be more inflationary. By mid-age, they become net savers, they invest, and they have the ability and willingness to take investment risk. By retirement age, they start spending from their savings and pension, they risk tolerance declines and their consumption trends become deflationary.

Although inflation has been on the rise since the beginning of 2015, the concern has recently been about deflation rather than an overshoot in inflation. Inflation could either be imported or homegrown. A strong home currency would mean cheaper imports and is therefore deflationary. This is the case of the United States currently. The US dollar index has increased by more than 25% since mid-2014 on the back of a diverging monetary policy with the rest of the world and a more stable economy. Today, the opposite is happening in Europe

*Younger cohorts are generally net borrowers and their consumption patterns tend to be more inflationary. By mid-age, they become net savers, they invest, and they have the ability and willingness to take investment risk.*

*By the same token, the relationship between inflation and money supply is demand driven*

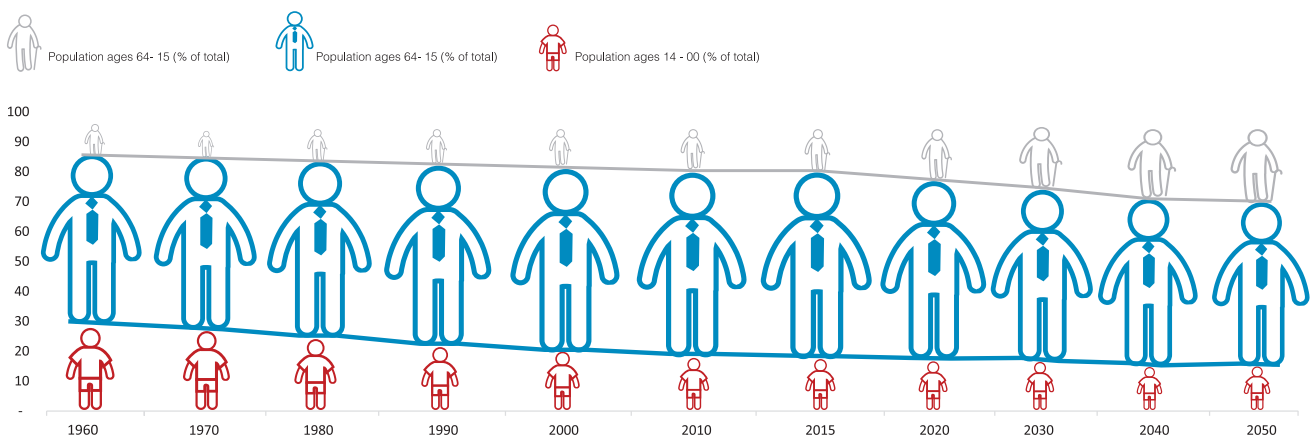
and the UK, as inflation in both seems to be picking up at least partly due to weakness in the euro and the British pound.

Homegrown inflation, on the other hand, results from pressures on resources. It is the “too many dollars chasing too few goods” principle. By the same token, the relationship between inflation and money supply is demand driven. If inflation was driven by the supply of money, it would have been straightforward to reflate. However, inflation is driven by the demand for

money, which makes it a demographic issue. Changing economic dynamics and an aging population seem to have the effect of smoothing and elongating economic cycles. Economic growth will have to be driven more by productivity and less by leverage.

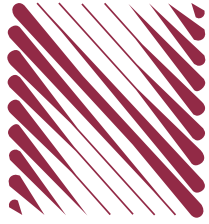
An ageing global population and dropping fertility rates are reshaping the world economy through a shrinking labor force, changing productivity, and are altering consumer behavior and savings and investment trends. In such an environment of moderating economic growth, low leverage and historically low interest rate levels and inflation, it becomes increasingly difficult to conceive high returns for traditional asset classes. It follows that non-traditional asset classes such as alternatives, private debt and illiquid strategies, in general, are increasingly gaining investors’ interest in their quest to capture the extra return offered by these instruments.

**Age Group Distribution - OECD**



\*Visit NBK Capital’s website to read the full report:  
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# Startups for the Kuwaiti soul



By **Abdullah Hamad Al Terkait**

**K**uwait is a quiet country that shies away from the limelight, but is very powerful when it has to be. The youth in Kuwait comprise 67% of the population; the majority are Arab but also consist of other nationalities. As is evident all over the world, social media has taken over the daily lives of each and every young mind.

Given the fact that Kuwait has a social media penetration of 96%, it is also home to the Gulf Cooperation Council's most affluent online influencers. There are many female Kuwaitis breaking barriers and inspiring young minds to express themselves more. To some it is a way of finding themselves and doing something untraditional but profitable. Several graduates are committing their time and minds to starting their own brand or business, resulting in a substantial rise in entrepreneurs and startups. However, to do so, a stable ecosystem is required to support and nurture all these talented ideas. For this to be formed, we would require several components to interact and work together as a system.

## Enter 'The National Fund for SME Development'

The National Fund for SME Development is an independent organization with a capital of KD 2 billion. Over the years, the fund has established a support foundation, recruited employees, developed the IT infrastructure needed and set the key guidelines for the program. Startups are given financial and business support, training, a one-stop-shop for business registration, a virtual platform that was launched in the name of 'Nuwait' and community events for the stakeholders.

## So what's the problem?

While all of the above sound promising, the organization has been challenged with obstacles. A survey done by the World Bank in 2014 outlined the following:

Lack of educated workforce

Difficulty in obtaining operating licenses

Labor regulations, regulatory uncertainty and administrative corruption

## Economic challenges like the decline in oil prices

These barriers have proved to be major hindrances in the program and would require immediate solutions like that of Wamda and Nuwait, which have targeted areas like 'entrepreneurial culture and talent' and 'financial and business support'.

But the question still stands: Is this enough to help new and young ideas make their mark?

## One Goal, One Path

While startups are able to set up their IT and other areas, they find areas like 'Marketing and Sales' to be challenging. This is where companies from the private sector could step in and lend a helping hand. Notably, 'Brilliant Lab' is a concept that partnered with Zain to offer entrepreneurs a range of services from a startup boot camp in Kuwait, to acceleration services in San Francisco, to access to international events and conferences. Messilah Ventures that was started under the 'Creative Startups' accelerator in New Mexico takes a special interest in assisting with food startups. Accelerators like these could help entrepreneurs overcome their barriers and find



support and empowerment.

In spite of these resources, the harsh reality is that all this is insufficient and the startup ecosystem requires the much larger components, ie investments and corporate support. Financial support is a key ingredient and startups often fail before they can lift their wings to fly due to the lack of financial aid. It is true that “There is a need to shift from Corporate Social Responsibility (CSR) to Corporate Social Investments (CSI)”.

### **Why investment firms should show interest...**

The venture capital industry in the Middle East is expected to grow to US\$5 billion by 2019. With an abundance of VCs investing in regional startups and assisting with early-age funding and later-stage mergers and acquisitions, entrepreneurs not only receive financial aid but also professional business training, legal advice and risk management. They say, lead by example, and that is exactly the mindset that is needed in Kuwait from the private sector. Investment firms could benefit from areas like innovative technology and youth empowerment, which

could result in major positive exposure for the company.

Startups require capital in the early stages and during the growth phase, if the model succeeds, Investment firms can carry out the responsibility of channeling capital from savings surplus units such as households, treasuries of corporates, insurance companies, government and semi-government institutions like the PIFSS, KIA, Awqaf to the savings deficit startups. This will lead to economic stimulus and spur growth within the entire economy, leading to all-round development and prosperity of the nation.

Investment companies are always looking for new investments and in today's business world, investing in new businesses, in terms of equity, can prove beneficial to the entrepreneurs and the company itself. Firms could also assist in areas like international marketing, given their global reach. Accelerators and incubators are key to the success of startups and few are as well positioned as investment companies to bridge this gap.

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**Al Terkait is Chairman of Al Safat Investment Company and UIC Secretary of the Board and Board Member.**

Kuwait advances in doing business, foreign investment

# Kuwait ranks 96<sup>th</sup> in global DB Index

By Ahmed Al-Noubi

Kuwait's ranking in the Ease of Doing Business Index 2018 (DB2018), composed of 10 topics that measure various regulatory aspects of the lifecycle of business, advanced by six places to 96 out of 190 countries included in this year's report, compared to 102 in DB2017. Kuwait ranks eighth among Arab countries, and maintains a leading sixth rank in the Paying Taxes topic.

Commenting on the report, Kuwait Direct Investment Promotion Authority (KDIPA) said Kuwait also improved in its Distance to Frontier (DTF) score, noting that this was a direct outcome of actively implementing the national agenda for streamlining business environment (dubbed the Tahseen program), developed with technical support of the World Bank and approved by the Cabinet.

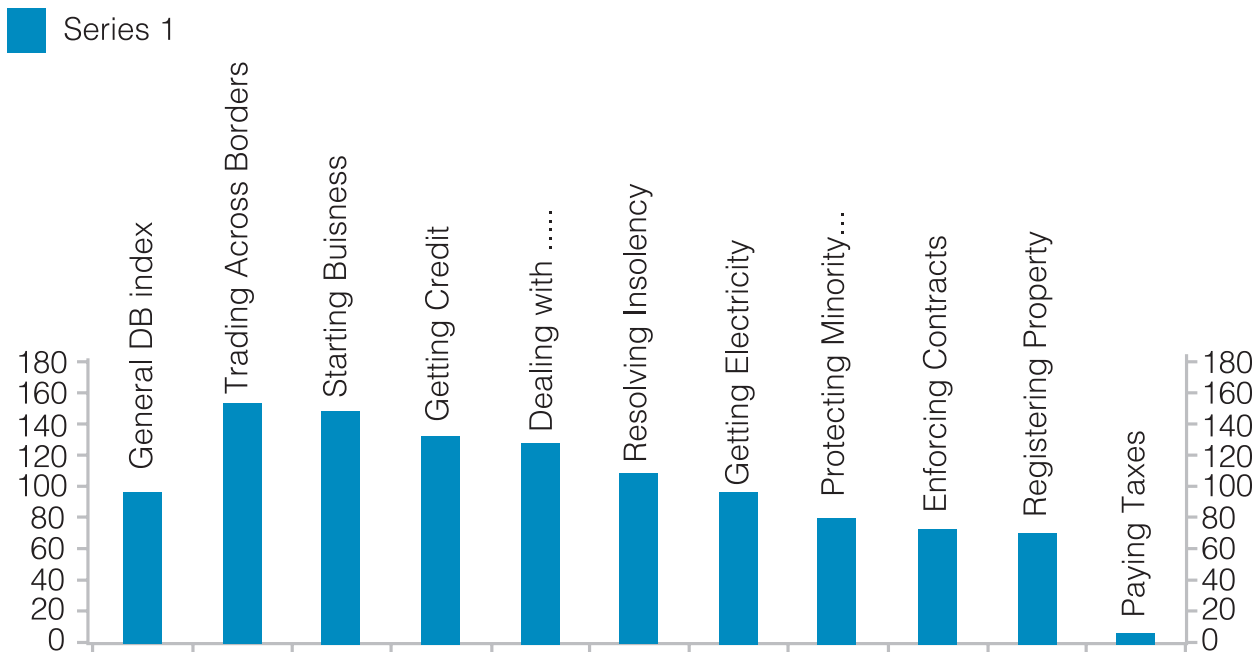
The improvements were reinforced by KDIPA's continuous coordination as head of the Perma-

nent Committee for Streamlining Business Environment and Enhancing Competitiveness in Kuwait (PCK), in accordance with its mandated tasks and designation by Cabinet decision no. 1551/2013, in close collaboration with relevant government entities and the private sector. This was the result of a number of economic reforms conducted during the period covered by the report - from June 2, 2016 till June 1, 2017.

The report also stated that in the topic of Starting a Business, the number of procedures dropped



### Kuwait's Rank in DB 2018 Report



from 12 to 9, the number of days reduced from 61 to 38, the cost went down from 2.8 percent to 1.7 percent (as a percentage of per capita income), and the cost of minimum capital dropped from 10.2 percent to 8.5 percent (as a percentage of per capita income), which yielded a notable rise in Kuwait's DTF score by 10.44 percent, reaching 77.21 percent, up from 66.77 percent.

The report also explained that this is attributed to the favorable impact resulting from the activation of the minister of commerce and industry's decision no. 161/2016 - amended by decision no. 280/2016 - pertaining establishing a national one-stop shop (OSS), which both KDIPA and the National Fund for Small and Medium Enterprise Development are part of. This along with launching the Kuwait Business Centre, which fully utilizes electronic transactions, leading to the improvement of online establishment and registration of companies.

In addition, the report noted the reforms by the ministry of justice and the municipality in the Registering Property topic, particularly in improving the transparency of the land administration system, resulted in halving the number of days for registering property from 70 to 35.

KDIPA reiterated that the road of reform is still lengthy and needs constant cooperation amongst the government, private sector and civil society to fulfill priority measures approved

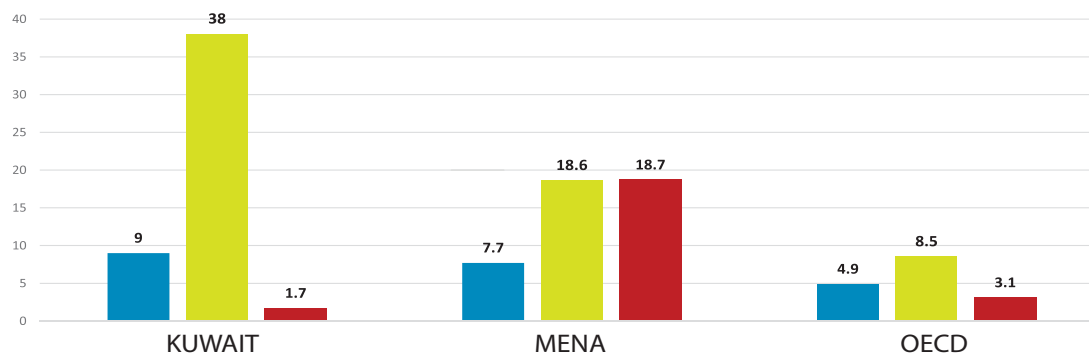
*Immediate reform needed in Starting a Business, Construction Permits, Getting Credit, Trading Across Borders, Resolving Insolvency*

#### Kuwait's Rank in DB 2018 Report

Index	Intl. Rank
<b>General DB index</b>	<b>96</b>
<b>Trading Across Borders</b>	<b>154</b>
<b>Starting a Business</b>	<b>149</b>
<b>Getting Credit</b>	<b>133</b>
<b>Dealing with Construction Permits</b>	<b>129</b>
<b>Resolving Insolvency</b>	<b>110</b>
<b>Getting Electricity</b>	<b>97</b>
<b>Protecting Minority Investors</b>	<b>81</b>
<b>Enforcing Contracts</b>	<b>73</b>
<b>Registering Property</b>	<b>70</b>
<b>Paying Taxes</b>	<b>6</b>

## Age Group Distribution - OECD

■ Number of Procedures ■ Time per Days ■ Cost (% per individual)



*KDIPA: The road of reform is still lengthy and needs constant cooperation between government, private sector and civil society*

### Topics concerning Starting a Business in Kuwait compared to regional and advanced countries & best countries on the Index

Index	Kuwait	MENA	OECD	Best on Index
<b>Male</b>				
Number of procedures	9	7.7	4.9	New Zealand (1.00)
Time in Days	38	18.6	8.5	New Zealand (0.50)
Cost (% of per capita income)	1.7	18.7	3.1	UK (0.00)
<b>Female</b>				
Number of procedures	10	8.4	4.9	New Zealand (1.00)
Time in Days	39	19.3	8.5	New Zealand (0.50)
Cost (% of per capita income)	1.7	18.7	3.1	UK (0.00)
<b>Both Genders</b>				
Min. Paid Capital (% of per capita income)	8.5	9.9	8.7	(Round 113 countries) 0.00

in the Tahseen program in the short and medium terms. The first phase of reforms covered six out of 10 topics comprising the Ease of Doing Business index (Starting a Business, Dealing with Construction Permits, Registering Property, Trading Across Borders, Resolving Insolvency and Getting Electricity), while the remaining four topics (Enforcing Contracts, Protecting Minority Investors, Getting Credit and Paying Taxes) will be realized by end of 2017 with ongoing technical support by the World Bank.

KDIPA hopes that launching the Tahseen portal

will effectively support current efforts by serving as an interactive platform to document all laws, decisions and measures taken and make them available to the general public, as well as using it to measure progress of the implementation of the Tahseen program and display the reforms' achievement rates.

In doing so, Kuwait validates its resolve to improve the business environment and place it at the core of its reform policy priorities, guided by successful cases in this regard elsewhere in the world.



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Photos by Yasser Al-Zayyat

 Investor Interview

# Kuwait to pass laws on bankruptcy, insolvency and auditors, Al-Roudhan tells **the INVESTOR**

By Ahmed Al-Noubi

**M**inister of Commerce and Industry and Minister of State for Youth Affairs Khaled Al-Roudhan revealed that the ministry is about to pass a law on bankruptcy and financial insolvency, in addition to amending the companies law and issuing new laws dealing with auditors and information exchange.

In an exclusive interview with The Investor magazine, Roudhan added that opening Mubarak Port and building Silk City will cause a substantial shift and effectively contribute in reviving Kuwait's transit trade, something Kuwait was historically known for.

Commenting on the promotion of Boursa Kuwait to an emerging market, Roudhan stressed that such a move enhances Kuwait's economic status and the bourse's international reputation, which will attract investors desiring to invest in one of the most important regional markets, where the largest banks and companies investing in various countries operate. He pointed out that this will increase liquidity and have a positive impact on most listed firms and leading companies.

Roudhan said the government is about to complete the mechanism of privatizing some fuel stations and offering them to small and medium project entrepreneurs, which will have a positive impact on the national economy in general and Kuwaiti youth in particular, by encouraging them to work in unconventional businesses.

Roudhan highlighted his ministry's keenness on supporting Kuwaiti youth and giving them opportunities to contribute in boosting the

national economy. "This led the MoCI to issue a number of decisions to facilitate their work and help launch their small businesses, in addition to the allocation of around half a million square meters by the Public Authority for Industry to be handed over to the youth as soon as they are ready," he added.

Roudhan reiterated the government's keenness on increasing the volume of commercial exchange with other GCC states as one of the most important pillars of integrated economic development. He said commercial trade with GCC states hit KD 1.6 billion till September, excluding exports of oil and oil derivatives.

Roudhan said MoCI is keen on exerting the needed efforts to realize HH the Amir's vision of turning Kuwait into a commercial and financial hub by attracting direct investments that reached \$7 billion in the past three years, focusing on developing the industrial, IT and telecommunication sectors, in addition to creating job opportunities for Kuwaiti youth in the tourism sector.

Roudhan hailed MoCI's policy in communicating with various related bodies and authorities, namely UIC as a significant body, to benefit from its experience in reviewing economic legislations related to investment and make propositions that suit investment companies operating in the local market.

Responding to a question about the professional companies' law, Roudhan said MoCI is working on it and it will be finalized soon, including all executive details so that it will achieve its aim and the best interests of practitioners.

The following is the complete interview:



*Promoting the stock exchange to emerging market status will positively affect liquidity, operation and leading companies*

*Kuwait advanced six positions in DB index, aspires for more*

**The Investor: Boursa Kuwait was recently promoted to an ‘emerging market’. How do you perceive such an achievement and its impact on Kuwait’s capital market and the commercial and industrial sectors in general? What are the steps you are taking in this regard?**

Minister Al-Roudhan: Promoting the stock exchange to an emerging market according to the FTSE Russell index was the result of long and hard work and efforts exerted by the Capital Markets Authority, Kuwait Clearing Company and Boursa Kuwait companies. It also boosts CMA’s recent efforts to develop the bourse for the best interests of the national economy.

This promotion enhances Kuwait’s economic status and will have positive international impacts on Boursa Kuwait and the national economy in general by attracting investors desiring to invest in one of the most important regional markets, where the largest banks and companies investing in various countries operate. This

will increase liquidity resulting from local and foreign investors’ transactions. It will also have positive impacts on most listed firms and leading companies.

As far as the future is concerned, Boursa Kuwait is working on adding new foreign investment services to meet investors’ needs and create a balance between legislations and packages of facilities. This will coincide with various privileges the government is working on providing to build a perfect investment atmosphere and conduct legislative reforms of economy-related laws.

**The Investor: ‘Ease in Doing Business’ is one of the most important foundations your ministry is seeking to achieve. How far has Kuwait gone in this regard and what are your future visions about it?**

Minister Al-Roudhan: Kuwait advanced six places in improving the environment of doing

business and was ranked 96th worldwide in the Ease of Doing Business Index 2018 issued by the World Bank. But this is not enough. We are eyeing to climb to the top third of this index in less than five years.

In addition, HH the PM, relevant ministers and the parliamentary committee for improving the business environment are also concerned with improving Kuwait's ranking in the DB index.

Moreover, the ministerial business improvement committee headed by the Chairman of the Kuwait Direct Investment Promotion Authority Sheikh Meshaal Al-Jaber Al-Ahmed Al-Sabah is seriously working on this and has amended many laws to facilitate the process of starting a business in Kuwait.

**The Investor: In the course of achieving those goals, what are the laws you are working on to improve the business environment in terms of capital markets?**

Minister Al-Roudhan: MoCI is working to pass a package of laws to improve the business environment, such as bankruptcy and insolvency laws, which are expected to make an evident impact on the local economy. Other laws that need amendment include the companies law, a law protecting minority interests and a new law for auditors and the exchange of information.

In addition, work is in progress to develop Kuwait's business status by automating ministerial procedures after launching single-window transactions that have cut the paperwork needed to establish companies. Most transactions are processed online, which saves time and reduces procedures and fees needed to issue commercial licenses.

**The Investor: The government sector has been hiring international investment firms to conduct many consultancy studies. Can you tell us about your strategy concerning enrolling Kuwait's private investment sector in providing public services and the benefits this sector would get, namely developing the skills and expertise of Kuwaitis working in it?**

Minister Al-Roudhan: We are for prioritizing citizens in various consultancy studies by seeking advice from Kuwait Institute for Scientific Research, Kuwait University's academic experts and private sector consultancies. We only opt for international consultancies when local spe-

cialized firms needed for a certain project are not available. We always seek well-qualified consultants, who will surely be prioritized if available locally. This strategy is, of course, one of the means to enhance the PPP principle and develop specialized local expertise.

**The Investor: What is the state's policy in terms of supporting new investment tools in view of the difficulty of attracting funds, and will it continue its support the way it used to do through Kuwait Investment Authority?**

Minister Al-Roudhan: Kuwait is constantly seeking to develop its economic policies, and despite regional geopolitical changes, the gov-

*Kuwaiti experts, KISR, KU, private sector prioritized in studies*

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*Our strategy is based on enhancing PPP and developing national specialized staff*

ernment's cooperation with the parliamentary permanent committee for streamlining the business environment, which was established in collaboration with the National Assembly, aims at overcoming obstacles of attracting foreign investment and encouraging Kuwaiti investors to invest in various fields.

The government has formulated new legislations and adapted others to improve the business environment in view of the current regional events and situations. We will continue this, as it is our mission to create an attractive environment and fulfill its needs.

The government has a strategy to regain the balance between the private and public sectors, achieve economic development and increase production through public projects and Kuwaiti shareholding companies offering shares for public bidding, as well as offering customs exemptions and other incentives to attract companies.

**The Investor: You have said in previous press releases about Kuwait's five competitive features needed to make it GCC's economic gateway. What is MoCI's vision about utilizing these features in the near future?**

Minister Al-Roudhan: Our vision is based on improving the business environment, which is already happening according to the World Bank, in addition to giving due care to small and medium projects, supporting them and improving their business environment. We have passed important laws and resolutions in this regard, such as those of micro-projects, mobile trucks and seasonal markets. We will never stop developing such needed legislations.

In addition, opening Mubarak Port and the Silk City will make substantial changes that will enhance Kuwait's transit trade, for which the state has been historically known for.

Human resources are of course the backbone of any success. Kuwaitis work harder when needed elements are available. It is our role in various state institutions to prepare these elements and encourage the youth in the labor market.

**The Investor: What is MoCI's plan on privatizing gas stations for small and medium project**

**entrepreneurs? Is there a limited number of petrol pumps to be privatized?**

Minister Al-Roudhan: The government is considering privatizing some gas stations for small and medium project entrepreneurs. Coordination is in progress with KPC and the Kuwait National Fund for Small and Medium Enterprise Development in this regard.

We believe that privatizing gas stations will have a positive impact on the national economy in general and Kuwaiti youth in particular, by encouraging them to work in unconventional businesses. Discussions are in progress to determine the details and mechanisms of this new substantial shift. Details will be announced once they are ready.

**The Investor: UIC has been communicating with MoCI via meetings or correspondences to discuss mandating companies to provide information on their annual general assemblies, how general shareholding companies' board chairpersons' and members' rewards are determined, along with executive regulations of the companies law no. 1/2016. What is your opinion about what UIC provides and your vision about the role it aspires to play?**



Minister Al-Roudhan: Since I came to office, my policy has been to open contacts with all bodies and institutions working with MoCI. UIC is one of these important bodies. We are in the same boat and work towards integration. You notice that the basis of our work is to seek relevant consultancy prior to making any decision or setting charters. We usually hold workshops and symposiums to discuss a resolution or executive charter, so that they achieve their aim. We surely benefit from UIC's experience in reviewing investment-related economic legislations and making proposals that match the various fields of investment companies operating in the market.

**The Investor: What is MoCI's plan to utilize Kuwaiti youth potentials and enroll them in the private sector to revive business and the national economy?**

Minister Al-Roudhan: The government's efforts to link youth to the economy are a priority. We realize that supporting Kuwaiti youth and giving them the chance to activate the local economy are necessary.

So we issued a number of decisions to facilitate their work and launch their small businesses, in addition to PAI's allocation of around half a million square meters of land and transferring it to the SME fund. We are currently awaiting relevant state bodies' approvals and concluding procedures to prepare and hand them over to the youth once they are ready.

Here, we confirm that we are constantly preparing and developing the environment for youth projects and investing in youth potentials in various fields, as we believe that they form Kuwait's prosperous future, God willing.

**The Investor: You formed a committee to study the prices of recruiting domestic helpers. What is the latest in this committee's work and the results of price controls on overcoming the obstacles faced by the Al-Durra Company?"**

Minister Al-Roudhan: We tried to be more scientific and systematic in solving the problem. So we formed the committee to determine the cost of recruiting domestic helpers and empowering the Al-Durra Company. The committee is headed by MoCI's assistant undersecretary and comprises of members from the interior ministry, foreign ministry, the manpower authority, Kuwait



*Keen on increasing production, offering customs exemptions and incentives to attract companies*

*Opening Mubarak Port and Silk City to effectively revive transit trade*

*About to finish the mechanism on privatizing some gas stations for SME entrepreneurs*



Chamber of Commerce and Industry, Domestic Helpers Union and MoCI's advisor.

The committee visited domestic helper offices two weeks ago to get their prices and then opened the envelopes to compare the charges they offered with those presented by the foreign ministry, and the difference was huge. The com-

mittee's tenure was extended by a further month to make recommendations on prices and activating relevant bodies' role to enable Al-Durra Company's work.

*Our policy is based on communicating with relevant bodies including UIC*

*KD 1.6bn trade among GCC states till September*

*Kuwait managed to attract over \$7bn in direct investment over the past three years*

**The Investor: MoCI's has approved the establishment of professional companies for five years and limited them to five professions - law, accounting, medicine, engineering and licensed consultancies. Will this law be passed soon and how will it be put into practice?"**

Minister Al-Roudhan: MoCI is working on finalizing the professional companies law soon, including the executive charter and systems, which will help achieve its goal. It will surely be for the best interests of these professions' practitioners.

**The Investor: What do the current rates of commercial exchanges with GCC states and Arab countries indicate? What is the volume of inter-trade you are targeting?**

Minister Al-Roudhan: Commercial exchanges with GCC states and Arab countries are one of the most important economic elements needed to develop economic integration amongst these



countries by exchanging products, goods and services with them in the form of imports and exports.

Commercial exchanges also help solve Arab countries' economic problems and diversify their economies, which Kuwait has always sought.

Kuwait also seeks to increase commercial exchanges with GCC and Arab states by organizing exhibitions and commercial fairs and taking part in them with the aim of promoting goods and introducing national products to GCC and Arab businesspersons.

Recent years' statistics show that the volume of commercial exchanges with GCC states reached KD 411.5 million in exports and KD 1.2 billion in imports. The volume of commercial exchanges with Arab countries reached KD 635.6 million in exports and KD 1.4 billion in imports, which confirms Kuwait's keenness on increasing this volume with all Arab states. Notably, oil and oil products are not included in the above figures.

**The Investor: What is MoCI's plan to realize HH the Amir's vision on turning Kuwait into a financial and commercial hub? What steps have been achieved so far?**

Minister Al-Roudhan: First of all, let us remember the fact that Kuwait managed to attract over \$7 billion in direct foreign investment over the past three years. MoCI's plans include a number of efforts to put HH the Amir's vision into practice by attracting direct investment, focusing on developing the industrial sector, improving the business environment, small and medium enterprises and IT and communication sectors, as well as creating job opportunities for Kuwaiti youth in the tourism sector.

**The Investor: Finally, what is your vision about the role currently played by investment companies towards the society? How do you see developing that role with the development plan?**

Minister Al-Roudhan: Investment companies have an important developmental, awareness and social role towards the community, be it through sponsoring human resource development courses, taking part in initiatives handling various issues such as unemployment, health, environment and education, and in supporting entrepreneurship amongst Kuwaiti youth, especially in terms of the mental development of this largest segment of the society.

# Real estate: The 'traditional' alternative



**By Bassam Al Othman**

In the past, real estate was considered the primary investment of choice. However, over the last few decades, stocks and bonds have become the main constituent of an investment portfolio. Currently, real estate is one of the major asset classes within the alternative investment world.

## **Financial vs Real Assets**

The main difference between financial assets (stocks and bonds) and real assets (real estate) is that the latter represents actual rights to consumption rather than indirect financial claims generated by the assets of the firm.

## **Main characteristics of real estate investments**

The real estate market operates in cycles that vary between five to seven years.

The cycle provides health to the overall industry by providing a natural hedge against potential bubbles. In general, the cycles are more evident within mature markets.

In addition, real estate is considered an operationally intensive asset requiring specific managerial expertise, unique knowhow, and ongoing oversight.

## **Asset allocation methods**

As with other asset classes, asset allocation within the real estate industry can be

achieved either through a top-down or bottom-up approach. The top-down approach is to take a big picture view of the different real estate categories, whereas the attractiveness of the individual assets drives the bottom-up approach; However, the most common method is using a hybrid approach, combining drivers of both procedures to reach the optimal investment decision.

## **Direct vs indirect real estate**

An investor can gain exposure to the real estate sector through various vehicles. A very straightforward method to categorize these vehicles is whether they are direct or indirect. As per the "National Association of the Real Estate Investment Trusts", a direct investor invests in the asset itself, whereas an indirect investor invests in the expertise of people managing his money. The below sections are written from the perspective of a direct investor.

## **Benefits and Drawbacks**

The main advantages to real estate investing include but are not limited to:

Potential hedge against unexpected inflation

Diversification benefits with other investment classes

Absolute return investments

Generate cash inflows through rentals

The main drawbacks to real estate investing



include but are not limited to:

Heterogeneous characteristics make due diligence difficult

Inability to divide investment into the desired size (lumpiness)

Illiquidity due to high unit cost and transaction size

Overstated risk adjusted return as the data is smoothed since real estate values are based on appraisals

**Investment Styles**

Core, value and opportunistic are three very common categories used to describe real estate investments. Established by the “National Council of Real Estate Investment Fiduciaries” these categories classify investments by volatility.

Core – Debt-like instruments characterized by low volatility and leverage. Income generated from rentals rather than capital appreciation represents most of the returns.

Value add – Moderate volatility and leverage with most returns generated from capital appreciation rather than income generation. These investments include semi leased core properties and properties undergoing renovation or repositioning.

Opportunistic – Equity like instruments characterized by high volatility and leverage. Capital appreciation represents almost of the returns from this category. These investments include developing raw land and re-developing properties that are in poor condition.

**Al Othman is Executive Vice President, Real Estate MENA for Markaz**

the **INVESTOR**

**CALL FOR SUBMISSIONS**

- The Investor would like to invite UIC members and other interested parties to submit articles and analysis on any topic of interest to the investment community in Kuwait.
- Possible topics: Wealth management, mutual funds, investment in Kuwait or GCC, FDI, SMEs, transparency, PPP, venture capital, bourses, market makers, governance, private equity, real estate, etc.
- Articles will be considered for publication in upcoming issues of *The Investor*.
- Article should be written in Arabic or English, with a clear point of view. Technical language should be kept to a minimum.
- Graphs, charts and images are welcome. A high resolution head shot photo of author is acceptable.

Please send **NO LATER than March 29, 2018** by email to the following:

**FadwaDarwish@unioninvest.org**

**Etheridge@KuwaitTimes.com**

# Wealth management at its best

A wealth manager manages his/her client's relationship by profiling and re-profiling the client as their life events evolve.



By **Ruba O. Al Khairi**

**W**ealth management is a holistic approach to managing our clients' wealth. As the term signifies, a wealth manager manages his/her client's relationship by profiling and re-profiling the client as their life events evolve.

The academic approach to effective profiling is asking open-ended questions that are relevant to the client's finances, his financial planning, his objectives, time horizon and liquidity requirements, amongst other parameters. Efficient profiling in the Western world requires that all of the client's investments in any geography, asset class or sector be continuously shared with his wealth manager candidly and openly.

The underlying premise is that for information to be used effectively in a given asset allocation exercise, such information has to be detailed and up-to-date - no holding back. This places a huge responsibility on the wealth manager's shoulders as he/she is then required to devise his/her client's asset allocation plan in ways that properly match with the client's stated and unstated objectives, and therefore set the client's expectations of expected returns accordingly.

What is sought after here is a relationship based on complete trust and confidence from both sides. Ultimately, the wealth manager should play the coveted role of a "trusted advisor" for the relationship to be truly fruitful.

## Relationship built on trust

Many cultural, social and religious beliefs come between the wealth manager and his client. In the GCC and Kuwait in more specific terms, wealth managers often stumble with some obstacles foreign to the Western hemisphere. One of the key issues to which a wealth manager is subjugated is his client's reluctance to share much of the infor-

mation about his wealth placed in other institutions or localities. This obstacle is often the result of an innate fear of envy, as many of the investors often quote the Holy Quran in which envy is stated as one of the main evils to be feared.

Another social obstacle relates to the client's fear that his privacy might be breached if his financial information is widely divulged. Another possible reason is the wealth manager's inability to earn his/her client's trust by not putting his client's needs and objectives first.

Professionally speaking, an effective wealth manager makes the client "feel important". This is the backbone of the relationship. The client should never suspect that his or her wealth manager is a "product pusher" or that he/she has some kind of a hidden agenda. In essence, early on, the relationship is tested repeatedly until it becomes evident to the client that his wealth manager is trustworthy.

Once this has been established, it behooves the wealth manager to maintain that trust and build on it by proactively informing the client about required changes to his asset allocation plan as per new events in his life, i.e. children graduating, retirement, or being heavily weighted in one asset class, etc.

Ultimately, the wealth manager should strive to diagnose his/her client's changing circumstances and needs, even if that means incurring a potential loss of assets under management (AUM). I strongly believe that clients eventually appreciate this candidness and reward their wealth manager with the all-important gift of personal and professional referrals to other high net-worth investors and will even work for his wealth manager, rendering the relationship complementary.

---

**Al Khairi is Senior Vice President, Wealth Management with the National Investments Company**



## استثمر بثقة

بعد ترقية بورصة الكويت إلى مؤشر الأسواق الناشئة من قبل شركة (فوتسي رسل)، أصبح المناخ الاستثماري في الكويت أكثر جاذبية. مما يشجع على الاستثمار في صناديق الأسهم المرخصة التي تقدم فرصاً متعددة لكافة شرائح المستثمرين، وتشمل مزاياها التالي:

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- انتظام السيولة
- مناسبة لجميع المستثمرين
- رقابة هيئة أسواق المال

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صندوق المركز للاستثمار والتطوير



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# We Need Earnings Conference Calls in Kuwait

By Salah Al Wuhaib

**A**s a representative of KAMCO Investment Company, I believe and stand by the idea that a successful corporation grows into its success through constant improvement and trust between a listed company and its shareholders. In business, it is a widely known factor that the people investing and buying into a company are the key to its achievement. All across the world, earnings calls have been a standard for all companies, especially in the United States and other developed markets, and it has become a hallmark of a market's coming of age.

An earnings call is a periodic call, usually quarterly, where the management discusses the financial performance, results and future plans of the company. Earnings calls are a place to grow and engage in discussion on improving the company's performance and relay valuable information to all interested parties. For companies, the conference calls offer an opportunity to engage a captive au-



dience, to market its vision and discuss outlook, as well as offering analysts and investors an insight into what is happening on the ground. It is an invaluable opportunity for both parties to build a relationship and trust.

Traditionally, a representative of the company accompanied by a number of senior executives host the conference call, ending with a question-and-answer session – offering a platform for investors, prospective investors and analysts to deliberate on details perhaps not covered by the manage-



ment. This provides shareholders a platform to communicate and build trust with the company, promoting transparency as well as management accountability to its shareholders. The increase in transparency would ultimately encourage improved analyst coverage, leading to better understanding of the local market dynamics for investors, and ultimately a higher level of comfort when investing.

With the outstanding improvement currently taking place in Kuwait, implementing this

ritual in companies will attract the interest of international investors and raise Kuwait's governance standards. It would be the beginning of another round of developments, which will improve Kuwait's way of doing business. In the end, a company that builds quality relationships with its customers and shareholders is a company that knows the path to success.

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**Al Wuhaib is Chief Assets Officer, Assets Division with KAMCO Investment Company**

# Kuwait attracts 360 foreign projects over 15 years

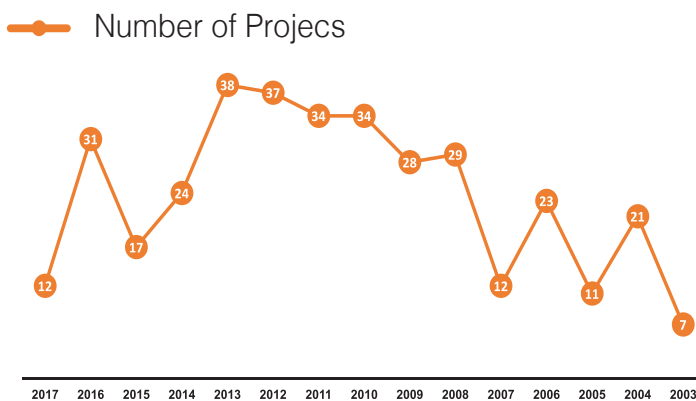
*Projects valued at \$12.8 bn, provided over 41,000 jobs*

## Foreign Direct Investment Projects in Kuwait 2003 - end of September 2017

Year	Projects Number	Jobs	Investment in Million Dollars Cost
2017	12	1,546	167
2016	31	6,018	1286
2015	17	1,009	158
2014	24	1,844	249
2013	38	5,122	2176
2012	37	3,326	614
2011	34	3,027	811
2010	34	3,266	572
2009	28	2,366	763
2008	29	4,618	1993
2007	12	1,337	347
2006	23	2,918	1710
2005	11	1,649	598
2004	21	2,335	704
2003	7	836	628
<b>Total</b>	<b>358</b>	<b>41,217</b>	<b>12776</b>

Source : fDi Intelligence

## Foreign Direct Investment Projects in Kuwait 2003 - end of September 2017



### By Ahmad Al-Noubi

Kuwait is witnessing an important growth in foreign direct investment, the first time in years. The Kuwait Direct Investment Promotion Authority (KDIPA) recently announced that the volume of direct investments in Kuwait during the fiscal year 2016-2017 was around \$1.2 billion. Similarly, UNCTAD had previously announced the inflow of \$275 million into Kuwait in 2016, which helped direct foreign investment assets in the country to reach \$14.3 billion by the end of 2016.

KDIPA's strategy aims at annually attracting \$4 billion in foreign investments by 2020, relying on the latest developments in its legislative and procedural infrastructure. The recent investment law offers a package of privileges and guarantees, such as up to 10 years of tax exemption, total and partial customs exemptions, help in land provision, recruitment, granting foreign companies the right to establish fully-owned companies in Kuwait, the right to transfer funds within and outside Kuwait, the right to expropriate or nationalize any investment project and protecting the confidentiality of projects and studies.

All investments, sectors and activities are available for investment except those defined by the Cabinet decision that issued a restricted list of 10 sectors - the smallest in the region and the world - in which investment is banned.

Kuwait follows an Islamic sharia-based civil legal system which is the basis of dealing with civil and personal status. It also has a transparent legal system, rule of law and sound separation between legislative, executive and judicial authorities. It has also passed a suite of economic laws over the past few years that will enhance the investment environment, such as the taxation, commercial, corporate, commercial licenses, competition, copy and patent rights, anti-corruption and e-transaction laws.

Other laws enhance the role of the private sector in boosting the economy, like the direct investment promotion law, privatization, PPP laws and opening new investment fields for the private sector such as power generation and water desalination. Kuwait will also soon pass an insolvency law to handle insolvent corporations according to best international practices.

Kuwait has also developed infrastructure in various fields such as telecommunications, transport, electricity and others. It is experiencing more development with the continuation of mega development projects around the country, including building ports, a new airport, roads and new industrial cities.

In this regard, a recent report by the British Financial Times group detected evident development in the number of direct foreign investment projects in Kuwait in the period between 2003 and September 2017. The report also pointed out that the number of projects had been fluctuating until 2008, then steadily grew until 2013, when it reached a peak of 38 projects, before it started fluctuating once more, retreating to 12 projects registered during the first three quarters of 2017.

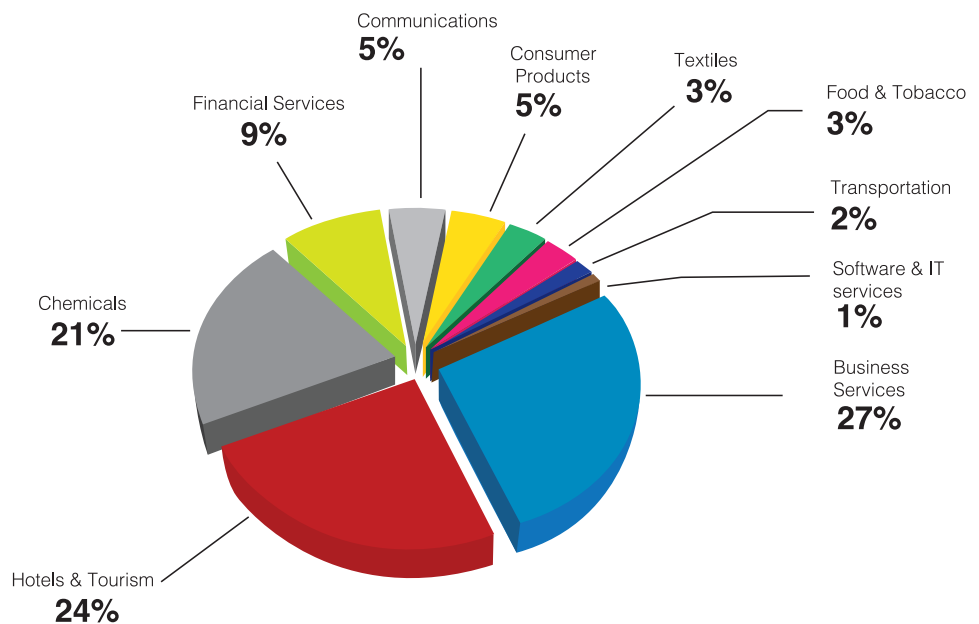
According to estimates, US Dow Chemical was the most important foreign investor in Kuwait in the same period with an estimated investment of \$1.1 billion, followed by Hempel Group with an estimated investment of \$601 million, Lulu International Exchange Company with \$121 million, UAE Exchange Center, Joyalukkas, Lulu, Malabar Gold & Diamonds, Damas Jewelry, Azadea Group and Apparel Group.

These investments are distributed amongst various sectors, of which business services came first with a share of 27 percent and a value of \$2.3 billion, followed by hotels and tourism with 24 percent (\$2 billion), chemical products, financial services, telecommunications, consumer goods, fabrics, foodstuff, tobacco, means of transport and finally, software and IT services.

Foreign Direct Investment Projects in Kuwait Per Sector (2003-2017)				
N.	Sector	Number of Projects	Number of Jobs	Invest. Cost in Million USD
1	Business Services	29	2,384	2378
2	Hotels & Tourism	16	1,908	2078
3	Chemicals	10	1,793	1811
4	Financial Services	49	809	767
5	Communications	16	848	426
6	Consumer Products	52	10,915	417
7	Textiles	85	7,226	303
8	Food & Tobacco	22	4,281	269
9	Transportation	11	633	145
10	Software & IT services	11	205	80
11	Other sectors	57	5,303	2783
	<b>Total</b>	<b>358</b>	<b>41,217</b>	<b>12776</b>

Source : fDi Intelligence

### Foreign Direct Investment Projects in Kuwait per sector (2003- 2017)



Country-wise, UAE was ranked first in terms of the highest investments in Kuwait during the same period with 97 projects through 64 companies, with an investment of \$3 billion, followed by the US with 52 projects through 47 companies (\$2.5 billion), France, UK, India, Qatar, Bahrain, Saudi Arabia, Italy and Spain.



## What is a clearing agency?

The clearing agency provides services of clearing and settlement related to securities. It also provides specifications of the rights and obligations of parties to a securities transaction in respect of clearing and settlement.

**T**he Capital Markets Authority (CMA) law no. 7 of 2010 regulates the clearing agency in articles 48-62 of Chapter 4, and the clearing agency was also mentioned in articles 157 and 158 of Chapter 12. The law also defined a clearing agency (Chapter 1), as an entity which carries out clearing and settlement operations in respect of securities; which provides the central custody of securities; and provides other related services.

As for the clearing agency and in observance of its functions and role in offering services, the law ensured in article 48 that it comprises a basic and crucial service in the business of post-trade operations, namely the central counterparty service for capital market transactions, in line with best international practices related to the post-trade industry. At the same time, the authority allowed granting a license to the clearing agency for one service or more among those mentioned in the original text of the article.

A Central Securities Depository (CSD) is an entity that provides securities accounts, central safe-keeping services and asset services, which may include the administration of corporate actions, and plays an important role in helping to ensure the integrity of securities issues (that is, ensuring that securities are not accidentally or fraudulently created or destroyed or their details changed). The CSD facilitates the entry of data pertaining to ownership and securities movement, as well as organise the process of keeping and the management of registrars pertaining to shareholders'

ownership of securities. It also offers registrar services to both listed and unlisted companies' securities. According to Kuwait's Companies law and Capital Market Authority's bylaw, a CSD should be a stock company with a KWD 5 million paid capital and licenced by CMA as a clearing agency.

The law in Kuwait forces issuers to deposit securities at the CSD; each issuer shall have a special registrar kept with the CSD. This registrar shall contain the name, nationality, domicile, number of securities owned by each shareholder, and the type of the capital paid in for each security. The statement issued by the CSD is a prima facie evidence of title at the time of issuance of the securities holder's shareholding if it conforms to the registrars in the CSD; it is also an evidence of title of the securities and any rights arising therefrom.

The CMA law also required an entity that conducts clearing and settlement operations of securities to be a stock company with a paid capital of KWD 20 million and licenced by the CMA as a clearing agency. No person may incorporate a clearing agency, or manage, or assist in incorporating or assist in managing a clearing agency, or thereafter announce thereof unless obtaining





a license from the CMA. The clearing agency is entitled to arrange for fair and effective clearing and settlement in relation to any commercial transactions in securities, manage risks associated with its activity and operate at the highest levels of professionalism, prioritize the public interest and that of those who deal with the company above the company's own interests, and maintain confidentiality of all information and data under its possession, except what is required by the authority or judicial authorities.

The clearing agency provides services of clearing and settlement related to securities or any other related service. It also provides specifications of the rights and obligations of parties to a securities transaction in respect of clearing and settlement and any related service and determines the time at which the rights of the creditors of parties to a securities transaction arise, including the rights pertaining to the cash return or its equivalent and the relevant securities as a result of sales, purchases or title transfer operation.

The clearing agency rules are to be followed in the event that any person dealing with the clearing agency fails to deliver securities or funds for the purpose of settling a transaction or other obligations within the clearing system. According to its bylaw, the CMA may use the cash reserves in order to pay and cover any necessary liabilities in the occurrence of any risks that may lead to a cessation of business continuity and due operations of the market, of an exchange or a clearing agency in accordance with the regulations and conditions prescribed by the board when taking its decision to pay and cover those liabilities.

Kuwait Clearing Company is the only clearing agency licensed by the CMA in Kuwait. According to the provisions of the law, the Kuwait Clearing Company shall be considered licensed, and the company has adjusted its affairs according to the provisions of the law and the executive bylaws.

**Kuwait Clearing Company**



## اتحاد شركات الاستثمار UNION OF INVESTMENT COMPANIES

### Overview

During the last two decades, the investment companies have been an immense impetus within the local and regional economy. They have provided financing and investment services, asset management, in addition to the financial investment services, such as mergers & acquisitions and more. Furthermore, they have rapidly extended their business operations in the regional and international markets, including the provision of financial services in accordance with the provisions of the Islamic regulations.

According to the statistics provided by the Central Bank of Kuwait in February 2016, the number of investment and financial services companies reached 79 companies, including 28 listed companies in the Kuwait Stock Exchange, where they altogether manage assets of around 9.8 billion Kuwaiti Dinars.

The investment sector is considered the second largest sector in the Kuwait Stock Exchange after the banking sector in terms of the size of its capital, as it is the third largest sector after oil and manufacturing industries as well as banks in terms of contribution to GDP.

Given the importance of this sector emerged the idea of establishing the Union of Investment Companies (UIC) in January 2005, which currently holds 38 investment and financial services companies within its membership.

### Mission

Adapting the appropriate atmosphere for developing the efficiency of the investment sector and financial services in consistency with developments in the international markets, including legislation and autonomous regulations to serve national economy.

### Objectives of Union of Investment Companies (UIC)

- Activating the involvement and participation with all formal and informal establishments in the country as well as working with them to develop a clear strategy to transform Kuwait into an advanced financial center to create a competitive atmosphere for all investment companies.
- Providing and suggesting draft proposals to update and reform legislation on the financial sector (the Capital Markets Authority law, corporate law, and the foreign investor law, etc.)
- Working to complete the institutional structure of a mature financial market, which operates to protect the investments and improve the investment environment and stability of transactions, raising confidence in the economy.

- Working to increase the number of UIC members, and to provide detailed data on member companies.
- Expanding the investment base for investment companies and assisting the investment sector in launching its investment projects and overcoming all obstacles facing investments and the promotion of the investment companies inside and outside Kuwait.
- Encouraging investment companies and financial markets on growing their activities and widening their financial instruments (various funds, fixed income debt instruments, convertible bonds, Islamic bonds, etc.) to assist investors in diversifying their operations and investment choices.
- Seeking arbitration to settle internal disputes that may arise between UIC members.
- Direct communication and establishing joint committees with all the official entities that are relevant to the investment sector (Central Bank of Kuwait, Capital Markets Authority, Ministry of Commerce and Industry, Ministry of Finance, Kuwait Chamber of Commerce and Industry, Committee of Finance and Economic Affairs in the National Assembly, Financial Committee at the Council of Ministers, Workforce Program and Restructuring, and more).
- Activating the role of Investment Studies Center (ISC) to provide services and trainings to those interested in the investment field.

## UIC Members

1	Kuwait Investment Company (KIC)	23	A'ayan Leasing & Investment Company (A'AYAN)
2	International Financial Advisors Company (IFA)	24	Watani Investment Company (NBK CAPITAL)
3	Al-Safat Investment Company (SAFAT)	25	Arzan Financial Group For Finance and Investment (ARZAN)
4	KAMCO Investment Company (KAMCO)	26	The Investment Dar Company (OAR)
5	National Investments Company (NIC)	27	Dimah Capital Investment Company (DIMAH)
6	Amar Finance and Leasing Company (AMAR)	28	Aref Investment Group Company (AREF)
7	Al-Fanar Investment Company (FANAR)	29	Adeem Investment & Wealth Management (ADEEM)
8	Kuwait Clearing Company (MAQASA)	30	Boubyan Capital Investment Company (BOUBYAN CAPITAL)
9	Allmtiaz Investment Group (ALIMTIAZ)	31	Noor Financial Investment Company (NOOR)
10	Kuwait Financial Centre Company (MARKAZ)	32	First Investment Company (FIC)
11	The Securities House Company (SH)	33	Kuwait Finance & Investment Company (KFIC)
12	Global Investment House (GLOBAL)		
13	KFH Capital Investment Company (KFH CAPITAL)	<b>Bader N. Al-Subai'e</b>	President
14	Kuwait & Middle East Financial Investment Company (KMEFIC)	<b>Saleh S. Al-Selmi</b>	Vice President
15	Wafra International Investment Company (WAFRA)	<b>Abdullah H. Al-Terkait</b>	General Secretary & Board Member
16	Osoul Investment Company K.S.C (closed) (OSOUL)	<b>Faisal M. Sarkhou</b>	Treasurer & Board Member
17	Al-Aman Investment Company (ALAMAN)	<b>Hamad A. Al-Ameeri</b>	Board Member
18	Al-Tamdeen Investment Company K.S.C.C. (TAMDEEN)	<b>Hamad M. Al-Saad</b>	Board Member
19	Al-Manar Financing & Leasing Company (ALMANAR)	<b>Tarek I. Al-Mansour</b>	Board Member
20	Al-Ritaj Investment Company (ALRITAJ)	<b>Othman I. Al-Issa</b>	Board Member
21	Kuwait Pillars for Financial Investment	<b>Nawaf H. Marafi</b>	Board Member
22	UniCap Investment and Finance		



اتحاد شركات الاستثمار  
UNION OF INVESTMENT COMPANIES

Published by the Union of Investment Companies Kuwait in cooperation with Kuwait Times Publishing House under the leadership of UIC President and Editor-in-Chief Bader N AlSubaie and Kuwait Times Editor-in-Chief Abd Al-Rahman Al-Alyan.

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