



Qatar
FINANCIAL CENTRE
AUTHORITY

ASSET MANAGEMENT



INTRODUCTION

The Qatar Financial Centre Authority (QFC Authority) was established in 2005 to support the diversification of the nation's economy and to bring added depth and breadth to its financial services sector and to that of the region as a whole.

As part of Qatar's National Vision for 2030, the QFC Authority is pursuing a farsighted approach which will focus on the creation of the pre-eminent regional hub in three financial services sectors. The growth potential for an Asset Management hub is huge. Qatar is putting in place the necessary foundation to ensure that this growth is realised and the country becomes MENA's focal point for all forms of Asset Management activity.

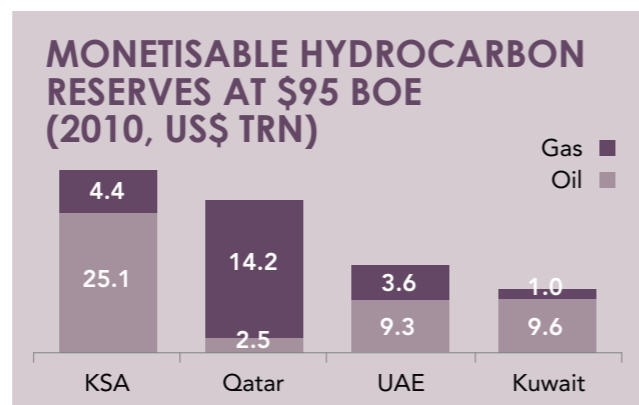
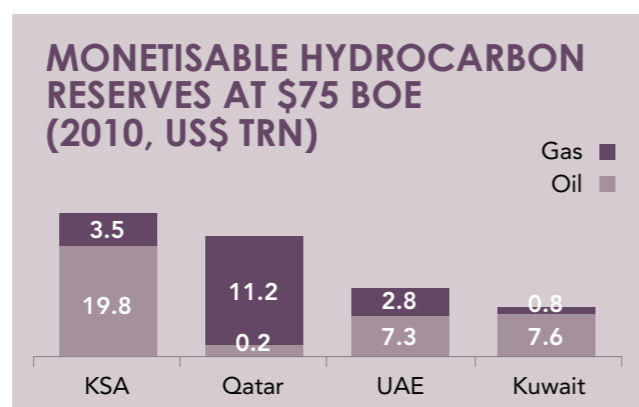
ROBUST ECONOMIC FUNDAMENTALS

With the underlying strength of the Middle East's impressive projected economic and population growth, it becomes clear why the GCC market is so important. The GCC economy is now one of the 20 largest economies in the world with an aggregated real GDP estimated at US\$771bn for 2010 at 2005 constant prices.

The Qatari economy is estimated to have grown by 16% in real terms in 2010 and is projected to grow by a further 18.6% in 2011 to reach a nominal GDP of US\$157.9bn (according to the IMF's most recent World Economic Outlook). Contributing 53.8% to the country's nominal GDP in 2009 the non-hydrocarbon sector overtook the hydrocarbon sector for the first time, while the gas sector overtook oil as the single largest contributor to the economy.

Qatar was the fastest growing country in the GCC over this period with a real annual growth rate of 13% (Source: EIU). Forecasts indicate that the GCC economy will grow by 4.9% per annum between 2010 and 2014, with Qatar again registering the greatest growth of 8% per annum.

Large hydrocarbon revenues have driven Qatar's GDP growth. Qatar's gas reserves, the third largest in the world, are estimated to be worth US\$8.2trn and US\$14.2trn assuming a price of US\$55 and US\$95 a barrel of oil equivalent (BOE) respectively.



Source: QFCA Analysis based on BP Statistical Review - 2010

GROWTH POTENTIAL

Although in its infancy by global standards, the Middle East is becoming an important region for Asset Management. Interest has traditionally been fuelled by strong liquidity, as a result of high oil and gas revenues leading to large budgetary surpluses within the GCC and an accumulation of investable assets.

The GCC displays one of the world's highest savings rates – and with private consumption as a percentage of GDP at a lower level than the world average. The GCC countries were estimated to have a savings rate of 39% in 2009, significantly higher than the world average of 21%.

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At first sight the size of the Asset Management market may appear lower than expected. The National Bank of Abu Dhabi GCC Mutual Fund Index Survey 2010 identified 308 locally incorporated funds (with assets of US\$29.3 billion) in the GCC, 311 local origin company sponsored funds (assets under management US\$28.2 billion), and 283 funds with the GCC or one of the constituent markets as their geographic focus (assets under management US\$28.3 billion) as at June 2010.

The dynamic of the market is also changing with a desire to allocate investments closer to home; a wider breadth of investible assets, growing investor sophistication and the development of international standard regulatory regimes.

THE OPPORTUNITY

The Middle East has always been seen as a source of fundraising, but it is the growth of the capital markets and the increasing availability of a number of new and interesting asset classes which is changing the investment dynamics.

Cerulli Associates estimate total assets in the Middle East (including mutual funds, discretionary portfolios and sovereign funds) are at a combined value of US\$2trn with total managed assets being US\$1.6trn. They also predict that Middle East onshore assets under management will rise from US\$57bn in 2007 to more than US\$100bn in 2012.

The reason for this predicted expansion is clear. Banks, private and institutional investors are looking to diversify their investment portfolios into other asset classes. There is also a growing pension fund sector, which is becoming an increasing source of investment, estimated at a total of US\$50bn for the GCC as a whole and US\$1.2bn in Qatar.

SOVEREIGN GROWTH

In 2009, 37% of all the estimated US\$3,891bn Sovereign Wealth Fund (SWF) assets globally were held by SWFs in the Middle East. The ability of these funds to invest throughout the global economic downturn and the continued high oil price has further strengthened the role Middle East SWFs are playing in financial markets.

GCC SOVEREIGN WEALTH FUNDS

Country	Fund Name	Focus	Assets US\$bn
UAE	Abu Dhabi Investment Authority	Equity	627
Saudi Arabia	SAMA Foreign Holdings	Fixed Income	439
Kuwait	Kuwait Investment Authority	Equity	203
Qatar	Qatar Investment Authority	Equity	85
TOTAL			1,354

As the table suggests, the GCC Sovereign Wealth Funds have amassed significant buying power and will underpin the future growth of the Asset Management industry in the region.

HIGH NET WORTH INDIVIDUALS

In 2009 the number of High Net Worth Individuals (HNWI) globally had grown 17% to over 10m and their wealth had increased nearly 19% to \$39trn. A large amount of this wealth is to be found across the Middle East and there is an increasing trend to allocate capital closer to home.

Investment from HNWI is predicted to grow to US\$3.8trn by 2012, and according to Cerulli Associates, this is a factor behind the development of new funds in markets such as Qatar and the UAE.

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INVESTING IN THE REGION

EQUITY MARKETS

There is significant scope for growth in mutual funds which at present in Qatar represent just a single percentage of GDP, compared to 70% in the United States and 33% in the United Kingdom. Combined with the recent changes and investment in the Qatar Exchange (QE), as a result of the partnership with NYSE Euronext, a new state of the art Universal Trading Platform has been launched which is expected to start driving market liquidity.

During 2010, Qatar Exchange (QE) has launched the Universal Trading Platform (UTP), which successfully came into operations during the third quarter of 2010. The introduction of UTP ensures that cash equities exchange will operate in-line with NYSE Euronext technology; the global trading group and strategic partner of the Qatar Exchange since June 2009. The QE led the growth of GCC stock markets last year, with a 24.8% gain in 2010.

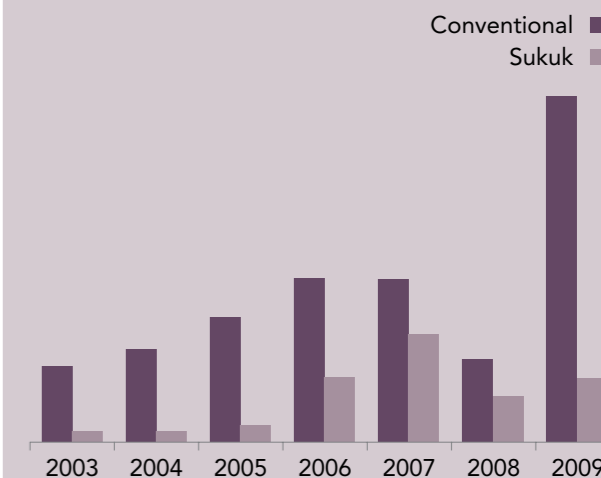
Qatar is seeking to secure a MSCI index upgrade from frontier to emerging market status. According to the Bank of New York-Mellon this could lead to an inflow of more than a US\$2bn into Qatari funds.

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FIXED INCOME

The financial services sector is underpinned by deepening bond markets in Qatar. Following a number of successful government bond issues in 2009, 2010 saw the Qatar Investment Bank (QIB) successfully place a \$750m debut Sukuk. Significantly the oversubscribed investor demand for this issue totalled \$6bn, demonstrating the strong depth of demand and investment potential in the region. Similarly, in 2010 telecoms company Qtel issued \$1.5bn of bonds which were more than 10 times over-subscribed leading to a second issuance of \$1.25bn that same year. Such a strong appetite for quality investments has led to a number of other corporate entities, including Qatar National Bank (QNB) and Qatari Diar, expressing their intention to issue bonds in the near future.

BONDS & SUKUK ISSUES IN GCC (2003 - 2009 US\$ BN)



Source: Markaz – GCC Bond Market Survey 2009

STABLE BUSINESS ENVIRONMENT

Qatar is the 17th most competitive nation in the world (Source: Global Competitiveness Report 2010-11), the highest ranking in the Middle East. This is in part down to the phenomenal success of Qatar's economy, which is AA rated.

Qatar's economy is one of the fastest growing, yet most stable in the world with its growth underpinned by the country's hydrocarbon wealth and steady political and economic stewardship. Subsequently, Qatar is regarded as highly competitive with a favourable cost of doing business when compared to other financial centres.

Qatar is also considered politically stable and low risk due to a combination of strong trust by the population in the wise leadership of the government coupled with a safe environment and a good distribution of the country's wealth amongst the population.

Through the Qatar National Vision 2030, the State of Qatar is also supportive of the country's drive to diversify the economy and has taken steps to support this key pillar of the country's vision for its future. In terms of the business environment, Qatar is regarded as highly competitive with a favourable cost of doing business when compared to other financial centres.

The financial services industry in Qatar is growing and is now the largest contributor to Qatar's economy (more than 12% of GDP at the end of 2009) after the hydrocarbon industry. This continued development is in line with the Qatar National Vision 2030 which seeks to build a sustainable economy beyond reliance on oil and gas revenues.

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With a national emphasis on education, Qatar's pool of graduates as well as financial services professionals at all career levels is one of the most qualified and mobile in the region.

WORLD CLASS JURISDICTION

The QFC Authority has created a regulatory and legal environment that is the equal of many recognized and long established jurisdictions.

All entities operating within the QFC can be 100% foreign owned.

Permitted activities	Base Capital Requirement	Fee Structure
<ul style="list-style-type: none"> operate (establish and manage) both QFC and non-QFC schemes; provide custodial services for both QFC and non-QFC schemes; market and sell units in QFC and non-QFC schemes to both retail and qualified investors; manage investments for QFC and non-QFC schemes; and perform fund administration for schemes, whether QFC or non-QFC schemes. 	<ul style="list-style-type: none"> PIIB Category 2 Dealing in Investment as a Principle US \$2 million PIIB Category 3 Dealing in Investment as an Agent US\$500,000 PIIB Category 2 or PIIB Category 3 that provide custodial services to collective investment schemes US\$10 million PIIB Category 4 Advising and Arranging US\$250,000 	<ul style="list-style-type: none"> Operator authorisation application fee US\$10,000 Operator annual authorisation fee US\$10,000 Scheme registration application fee US\$2,000 Registered scheme annual fee per fund US\$2,000 Umbrella scheme and sub-schemes US\$2,000 - US\$10,000

The Interim-Prudential Investment Banking Rulebook "PIIB" available on www.qfcra.com

QFC AUTHORITY REGULATIONS

Under the QFC Authority regulations:

- Civil and commercial disputes may be brought before the QFC Civil and Commercial Court (in English) with laws adapted from major financial jurisdictions across the world.
- There are no restrictions for QFC institutions on dealing in any currency.
- The QFC Authority has its own employment and sponsorship rules which run parallel to that operating in the greater State of Qatar.
- Whilst local employment and skills transfer programmes are encouraged, there are no restrictions on the number or percentage of expatriate workers employed by companies in the QFC.

PREMIUM INFRASTRUCTURE

Subject to availability, the QFC offers its members highly sought after office infrastructure in its own premises which comprise two office towers in West Bay.

Alternatively, subject to approval, members can choose to locate their offices anywhere in Qatar. Premium office space is readily available.

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For more details please visit our website www.qfc.com.qa or write to us at assetmanagement@qfc.com.qa

TAX

The QFC operates a transparent tax regime which is extremely attractive to companies seeking to use the QFC Authority's strategic focus on asset management.

The QFC Authority levies a tax of up to 10% tax on profits – this tax is applicable on locally sourced profits of permanent establishments in Qatar. Investment funds, including collective investment schemes, established in the QFC are tax exempt.

Qatar has signed double-taxation treaties with 37 countries. Further tax treaties are under various stages of finalisation and unilateral tax relief applies with several countries including the US, UK and Japan.

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