

## Qatar: An optimistic end to the year



QATAR

By Amjad Hussain

The emir of the State of Qatar has approved the budget for 2021, allocating a significant QAR72.1 billion (US\$19.8 billion) for major projects, as part of the country's efforts to complete projects related to the FIFA World Cup 2022. A considerable part of the budget was also allocated to the education and health sectors, amounting to QAR17.4 billion (US\$4.78 billion) and QAR16.5 billion (US\$4.53 billion) respectively.

In a recent announcement, Qatar Central Bank declared that new Qatari riyal banknotes will come into effect beginning from Qatar National Day 2020, which fell on the 18<sup>th</sup> December 2020.

There has been talk of a potential resolution to the three-year-long blockade against Qatar by neighboring GCC states.

As a result, Qatar witnessed a 1.5% increase in its stock prices in early December 2020, closing at their highest level since January 2020. Resolution talks also reflected positively on Islamic local

banks Masraf Al Rayan and QIIB, which witnessed 0.5% and 2.4% price increases respectively.

When the blockade against Qatar was first announced in 2017, the Qatar Stock Exchange declined by 18%. As resolution discussions continue, we expect this to reflect positively on the local Islamic banks and the Qatar Stock Exchange. Talal Samhoury, the senior portfolio manager at Aventicum Capital Management Qatar, stated that: "With the rift looking to be ending soon, the biggest beneficiary should be the Qatar Stock Exchange."

In other news, Qatar First Bank (QFB) announced that it has acquired an office building in the US that is fully leased to DoorDash, a US technology company, under a triple net lease of 15 years. This acquisition offers investors an investment opportunity with a long-term lease, and is expected to pay an annual return of 7% to its investors. This acquisition is a further addition to QFB's Shariah compliant US real estate portfolio.

It has been a challenging year for financial markets in Qatar and abroad. Nevertheless, Islamic banks in Qatar

managed to maintain stability and remain profitable. An analysis by Dukhan Bank highlighted the results of five Islamic banks in Qatar, by comparing the results of the first half of 2020 and the first half of 2019.

The total assets of Masraf Al Rayan increased by 6.6%, reaching QAR109.34 billion (US\$30.02 billion) in June 2020; the assets of Qatar Islamic Bank (QIB) increased by 7.3%, reaching QAR165.8 billion (US\$45.52 billion) in June 2020; whereas the assets of Dukhan Bank declined by 2.2%. QFB also saw a 20.8% decline in its total assets, from QAR3.21 billion (US\$881.38 million) in December 2019 to QAR2.55 billion (US\$700.17 million) in June 2020. Finally, QIIB's assets increased by 9.5%, reaching QAR59.31 billion (US\$16.29 billion) in June 2020.

With discussions surrounding a potential resolution to the three-year blockade, and the expected introduction of a COVID-19 vaccine, we look forward to a more stable and safer new year. ☺

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## Sovereign Sukuk make up over 80% of outstanding Sukuk issuance value in Iran



IRAN

By Majid Pireh

**Sovereign Sukuk make up over 80% of outstanding Sukuk issuance value as at end November 2020 in the Iranian capital market.**

Like many other Islamic financial markets across the globe, the Iranian capital market has introduced a relatively wide range of Shariah compliant financing products for both the government and the private sector. With over 37% of the total value of the outstanding Sukuk, the government has preferred to use the Murabahah structure as its dominant issuance framework.

However, the private sector has utilized Ijarah as well as the Salam structure to raise funds in a Shariah compliant

format. As at the end of November 2020, Salam and Ijarah accounted for 12% of the total value of outstanding Sukuk for the private sector.

For financing the government, Murabahah is the most preferred structure. This fact relies mainly on general Murabahah flexibility for the government. The model had been previously approved by the Securities and Exchange Organization's Shariah committee. According to the committee's resolution, the issuance of general Murabahah would be Shariah compliant only if the payable profits to the investors come from a real Shariah compliant sale.

It is noteworthy that as at the end of November 2020, over 80% of outstanding Sukuk value has been dedicated to financing the government. The remaining

part is in the hands of both the private and public sector financing instruments.

Over the same period, Islamic treasury notes commanded 27% of the value of sovereign issuance vehicles while 11.5% was dedicated to Sukuk Manfaah.

The government is still working on introducing new Shariah compliant financing instruments via the capital market. Namely, Sukuk general Wakalah is an option currently on the table. But, introducing the new mechanisms requires much efforts and time and we should wait to see how the newcomers will develop the market. ☺

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