

IFN QATAR

DIALOGUES

2024

POST-EVENT REPORT

11TH SEPTEMBER 2024
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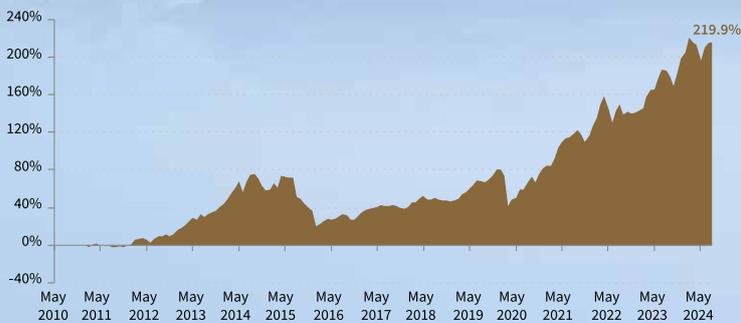


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Al Rayan GCC Fund

Invest in the largest and most successful Shari'a-compliant GCC fund



Al Rayan GCC Fund: Cumulative return since inception (May 2010)

Net Annual Return

2018	2019	2020	2021	2022	2023	YTD 2024	Since Inception
4.9%	23.3%	0.2%	19.6%	11.4%	24.3%	5.7%	219.9%

- The fund invests in Sharia-compliant GCC equities, sukuk and cash
- Net of all fees, 219.9% cumulative return since May 2010 launch (annualised 8.5%)
- The fund pays dividends in January and July
- Investors can invest on any business day in Qatar
- Open to all investors, regardless of place of residence

Source: Al Rayan Investment

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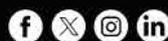


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OVERVIEW

IFN Qatar Dialogue: Driving growth – Qatar’s Islamic financial market



In the first of two high-level dialogues in Qatar, the State’s leading market experts and leaders gathered and engaged in a vibrant and honest Chatham House style discussion about the state of Qatar’s Islamic finance industry. Its Islamic asset management industry is a point of pride but as VINEETA TAN reports, there are still regulatory hurdles to overcome if Qatar wants to fully establish itself as an international capital for Muslim-friendly finance.

The stage

The 2022 FIFA World Cup in Qatar has set an incredible stage for Qatar to achieve its Third Development National Strategy (NDS3) in which the goal is to anchor itself as a global energy leader, and also fortify its non-hydrocarbon economic prowess including as a regional (Islamic) financial and fintech hub.

“Things have understandably been slower since the World Cup but it doesn’t mean that there has not been any activities,” said one participant. “We are resilient and setting ourselves up for more accelerated growth in the future.”

Indeed, from an Islamic finance perspective, there have been notable milestones testifying to the State’s capabilities: there has been a flurry of public market deals – Qatar Islamic Bank issued a benchmark Sukuk which achieved one of the tightest spreads in the GCC, reflecting Qatar’s strong creditworthiness (there are several other Sukuk in the pipeline) while public-listed Estithmar Holding printed the first Qatari riyal Sukuk this year, opening doors for other corporates and financial institutions to follow suit, and encouraging diversification of financial instruments.

“We have seen an increased level of sophistication in investors and expect an organic move away from vanilla products,” observed an expert.

Another dealmaker agreed but also noted that it is easy for corporates to get bilateral lending; and for the industry to truly shift toward more sophisticated products, there is a need to shift away from easy lending.

The shining star

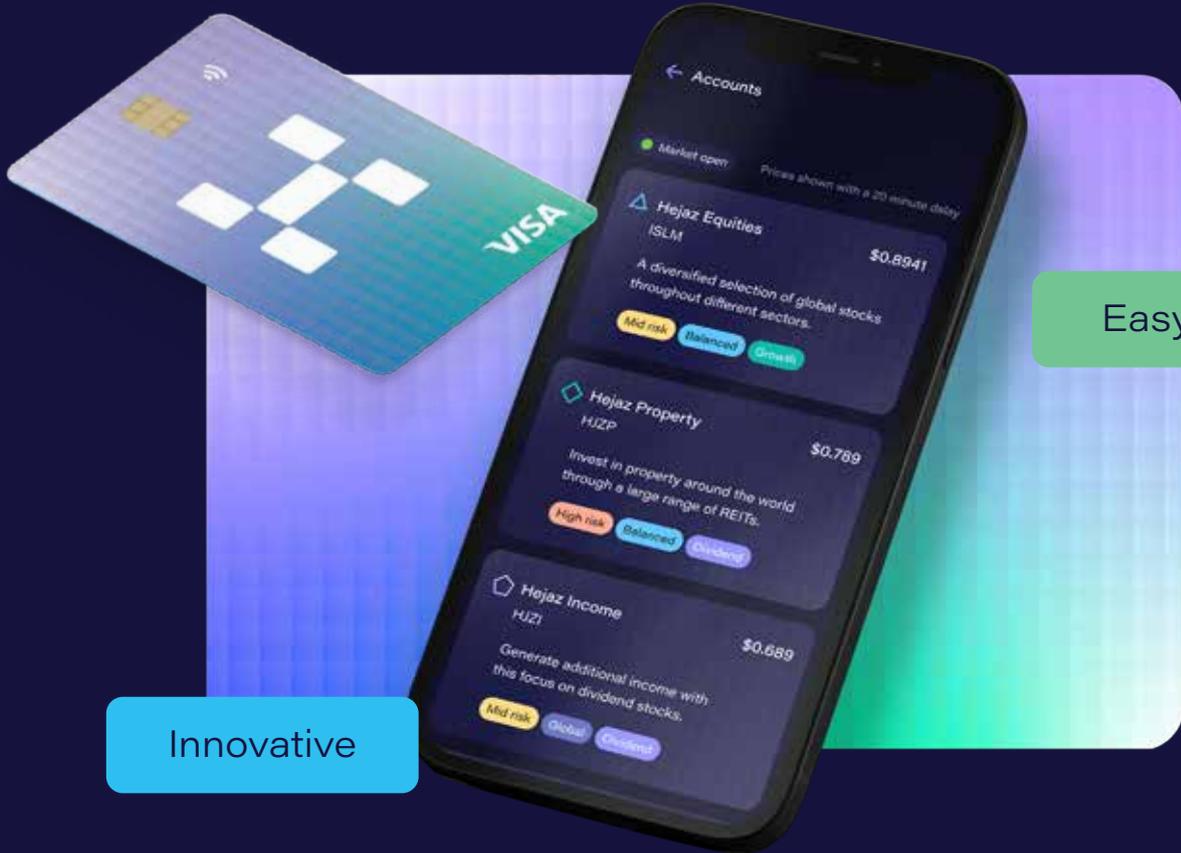
Qatar has a formidable Islamic banking sector – it is ranked seventh in the world by total Shariah banking assets by the IFSB – but its Islamic investment and asset management sector is the real gem.

Unlike its Islamic banking or Takaful sectors where the Islamic businesses are either outnumbered or at par with the conventional, asset management in Qatar is dominated by Islamic institutions and instruments. There are more Islamic asset managers than non-Islamic managers, while the largest funds – be it fixed income, equity, mutual or exchange-traded funds – are all Shariah compliant.

“This is a phenomenal success story, but we still have a long way to go,” acknowledged one practitioner. “The industry needs to improve the availability of interesting and in-demand products.” In fact, another product manager noted that Qatar does not even have a complete range of traditional products.



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OVERVIEW



While there is an opportunity for technology to play a part in Qatar's Islamic asset management growth story, as one other practitioner put it: "We need to take it one step at a time – we need the basic tools first. For example, we currently have three money market offerings, when we should have 10; just because there's one product, it does not mean that we've ticked the box as an industry. You want options."

The gaps

This lack of breadth and depth is not limited to the asset management space, but extends into banking and capital markets.

Despite the raft of Sukuk deals hitting the market in recent times, they are not sufficient to create a yield curve.

"We need to have a Qatari riyal market – it isn't easy to price as there are no comparisons, compelling us to look at neighboring markets; from an issuer perspective, we may even need to let go of some spread to encourage a successful transaction."

Again, dealmakers emphasized the need for banks to step in to encourage clients to consider non-banking capital-raising means; the capital market has a difficult time competing when bank financing is so easily available to customers.

Equally, there is an urgent need to improve the infrastructure to attract foreign direct investments including by making listing in Qatar easier.

Take the landmark Estithmar Sukuk for example – while it was a success, it was not listed in Qatar and was therefore a missed opportunity. The deal was instead listed in London as the process was "smoother".

"Qatar Stock Exchange is ready for listings but Clearstream needs to be sorted out – we need to change some capital market regulations otherwise corporates will continue to go abroad," warned one participant.

Another area of improvement is real estate financing. "This could be a good opportunity for investors to benefit from REITs – we have a pipeline, but regulations are not ready yet."

The green agenda

"There is a push by investors for green assets – some are even willing to take a slight discount on pricing," shared one practitioner. "This will grow further, there's no question about it – this is the way to go."

When it comes to ESG, many are brutally honest and will not hide from the fact that this is a box-ticking exercise for some; however, every dialogue participant drove home the message and belief that ESG is not merely a fancy label or fad – it is the future.

"Corporates will need to consider ESG factors to attract liquidity; we are seeing more funds that will only invest in green assets," shared one expert.

"As an investor, I would like companies that have economic sustainability and viability; through that process, companies with the happiest employees will end up having more environmental policies as driven by customers," shared a participant. "If we focus on carbon emissions first, there's a lot of political hypocrisy – it is not about whether we have a green product or not; it is about whether the company is being run well."

In other words, governance is key to ensuring successful environmental and social policies.

The way forward

The World Cup and NDS3 have placed Qatar in an ideal position to harness its enriched potential and we have seen promising progress including signs of the beginning of a Qatari riyal Sukuk market with increased corporate participation; but this is not a time to rest on our laurels, instead it is the time to double down.

The market needs to diversify its offerings, iron out regulatory kinks, educate the private sector and include non-Shariah-sensitive investors and clients into the mix.

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DIALOGUE ONE

Driving Growth - Qatar's Islamic Financial Markets

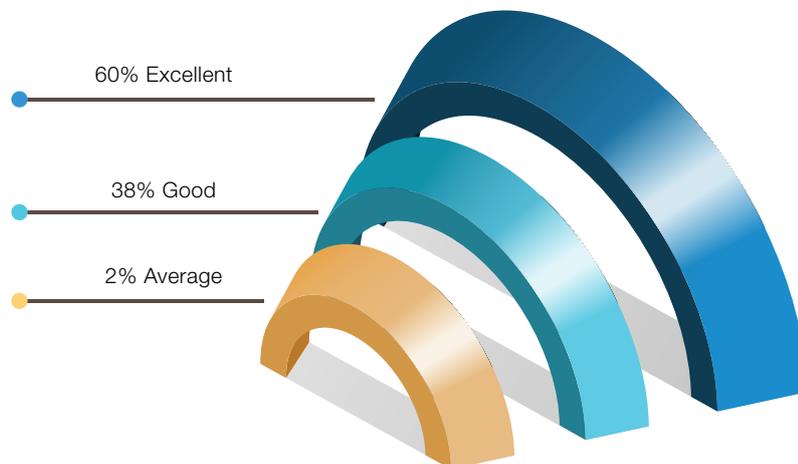


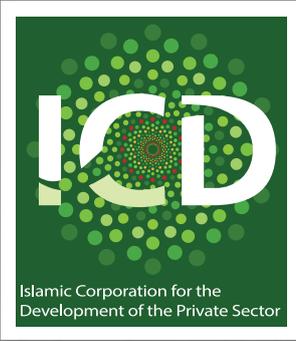
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ROUNDTABLE

A Case Study of the Estithmar Holding QAR500 million Sukuk

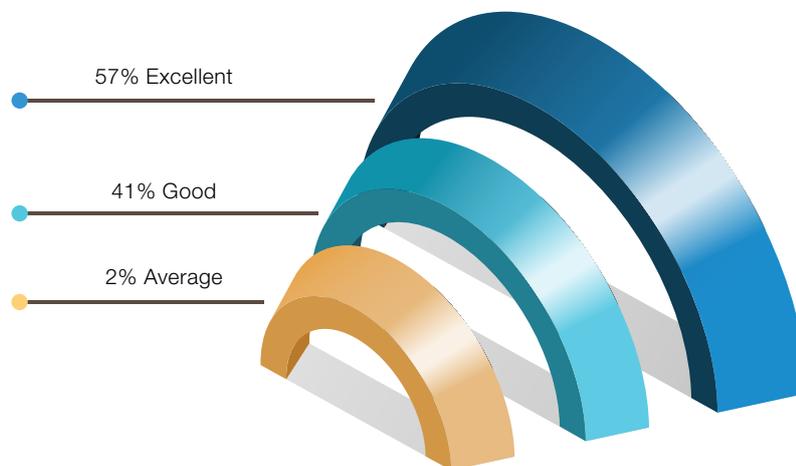


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OVERVIEW

IFN Qatar Dialogue: Fit for purpose – The growth of Islamic banking in Qatar



The second dialogue at the IFN Qatar Dialogues discussed the current state and future of Islamic banking in Qatar, particularly against the backdrop of macroeconomic volatility, potential interest rate cuts and emerging new themes. VINEETA TAN reports.

So far so good?

With four full-fledged Islamic banks holding almost 30% of the total banking market share, Qatar has done well in nurturing its Shariah banking sectors. Experts attribute the sector's success to the prohibition of the Islamic banking window model.

"The Islamic window ban was the right decision," affirmed one participant, adding that the system has achieved cost efficiency and financial stability with an equal number of Islamic and conventional banking players.

This growth has also been driven by inorganic strategies with banks merging to create larger Islamic banking entities and some banks converting to comply with Islamic principles, noted one player.

"Market perception about Shariah banking is good and it is a mark of faith by investors and customers," shared one expert who predicts that Islamic banks will attract more non-Shariah-sensitive customers as they seek to diversify their portfolio.

However, bankers are also aware of the uncertainties that lay ahead.

"Major transformations had been driven by the World Cup – we are not sure where we are headed now after the Cup," noted another expert.

Simply put, the World Cup accelerated growth across all sectors including real estate and Qatar is now experiencing a slowdown from the accelerated growth.

"Some banks have issues with credit risks, particularly construction loans extended for the Cup, so these need to be settled first," observed one participant. "The future can be bright after these post-World Cup-related issues are settled."

Interest rates impact

There is also the issue of interest rates. It was a consensus that rate cuts are imminent – it is just a question of the magnitude of the cuts.

The decisions of the US Federal Reserve have been felt by borrowers and the business community in Qatar whose currency is pegged to the US dollar. The rate hikes, implemented to rein in inflation in the US, were not necessary in Qatar, which has been generally insulated from inflation.

"During the high-interest rate environment, some took advantage of deposit products but generally, it has not been very positive on the economy; the market can take a breather with rate cuts," acknowledged one practitioner.



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OVERVIEW



The direction of the interest rates will depend largely on the looming US presidential elections in November as well as macro conditions.

Sustainable future

Just as in the first dialogue where sustainability was a strong theme emphasized by Islamic investment professionals, Shariah bankers also sang the same tune.

“What we’ve seen over the last two to three years is the market embracing sustainable Sukuk and I suspect we will see more of that and see more financial institutions and corporates incorporating sustainable finance as part of their financing platforms going forward,” noted one participant.

There is great optimism and willingness to develop Shariah compliant sustainable products especially as product issuers are receiving interest from both retail and institutional investors.

“A survey was carried out a few years ago and it was found that conventional lenders saw the green agenda as a peripheral issue but for Islamic banks, it was clear that this was important in a way, to ‘Islamicize’ the financial sector,” said one expert.

Another echoed: “Islamic banks have great potential because they see it as an opportunity but it is not good enough just to have a theological perspective; we need material real-world successes – how do we get brown assets and use Sukuk to target these brown assets to make them more green?”

Rise of regulatory capital Sukuk

Sustainable products aside, dialogue participants also expect Qatar to welcome more Tier 1 and Tier 2 Sukuk as regulators get stricter with regulatory risk capital.

“We will definitely see issuances from big players to boost their capital structures via Tier 1 and Tier 2 Sukuk,” shared one player.

The benefits are plenty: it is a way to diversify one’s capital structure without dilution and the legal mechanism is tried and tested.

“90% of balance sheets are invested in Qatar; given the history of Qatar supporting the banking sector, there’s this implied support so investors see acceptable risk and [such instruments] will likely be oversubscribed,” according to one practitioner.

Nonetheless, the impending AAOIFI Shariah Standard 62 hangs over issuers.

“When it comes to Sukuk, you don’t look at assets, you look at the credit rating of the obligor; but Standard 62 forces you to look at the assets, so the pricing will be based on the assets rather than the obligor,” noted a dealmaker who explained that it would be challenging to incorporate the legal risks into pricing assets.

“From a faith-based perspective, Standard 62 makes sense but there are significant challenges.”

Another expert agreed: “This will cause a liquidity risk premium; generally, the biggest challenge is that we are an English law jurisdiction, but on the other side, will that law be considered? Will English law make the distinction between asset-based and asset-backed? Also, Standard 62 would make Shariah law the governing law.”

There is fear around the table that this would cause severe market fragmentation.

As one participant put it: “Change is good, but the issues must be discussed first with issuers and regulators.”

DIALOGUE TWO

Fit for Purpose - The Growth of Islamic Banking in Qatar

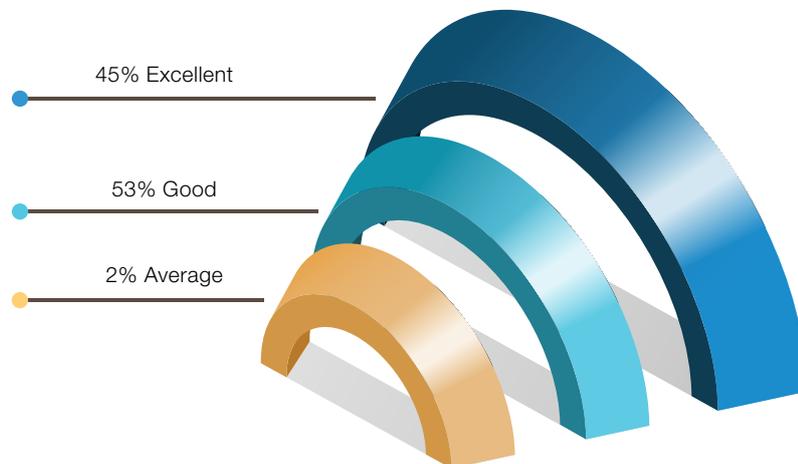


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- ▶ **Tahir Hayat Pirzada**, GM, Group Treasurer and Financial Institutions, Masraf Al Rayan



FEATURE

Al Rayan Investment LLC



الريان للاستثمار AL RAYAN INVESTMENT

A. Overview of Al Rayan Investment LLC

Al Rayan Investment LLC (ARI) is a leading investment firm headquartered in Doha, Qatar. ARI was established in 2007 to provide advisory and investment services. The firm caters to a broad spectrum of clients including high-net-worth individuals, corporations and government entities. ARI prioritizes understanding each client, tailoring solutions to meet specific needs.

With a focus on transparency and ethical practices, ARI has established itself as a key player in the GCC region. Al Rayan Investment has received several prestigious awards highlighting its leadership and excellence. ARI's core strength is the experience and expertise of its people, and the firm aims to be the trusted adviser for its clients.

ARI is 100% owned by Masraf Al Rayan QPSC and is authorized by the QFC Regulatory Authority and regulated by the QFMA. All products and services offered are compliant with Shariah principles.

B. Core Business and Services

ARI focuses on two areas: asset management and financial advisory, each catering to distinct client needs.

1) Asset Management

Since its launch in 2010, asset management has steadily grown across asset classes (Qatar and regional public equities, global Sukuk and money markets), with an enviable track record. All assets are managed in-house. In addition to segregated portfolios managed for mainly institutional clients, assets managed include Al Rayan GCC Fund and Al Rayan Qatar ETF. Clients' assets under management exceed QAR 5.5 billion.

- Al Rayan GCC Fund

Al Rayan GCC Fund is one of largest and most successful Shariah compliant GCC funds in the region. From inception

in 2010 till end-August 2024, it has returned 220% net of all fees (annual return of almost 9%). The fund invests in GCC public equities, Sukuk and cash instruments. All investments are Shariah compliant.

- Al Rayan Qatar ETF

Al Rayan Qatar ETF (exchange ticker: QATR) is Qatar's first Shariah compliant exchange-traded fund (ETF), the largest ETF in the Gulf and one of the largest Shariah compliant equity ETFs in the world. Listed on the Qatar Stock Exchange, the ETF tracks the performance of the QSE Al Rayan Islamic Index, offering diversified exposure to Shariah compliant Qatari companies. This fund allows investors to access a basket of securities, ensuring that their investments adhere to Islamic principles while benefiting from the growth of the Qatari economy. QATR distributes dividends, at least once a year.

2) Financial Advisory

The Financial Advisory partners with clients to achieve their strategic objectives. Engagements include equity listings and IPOs, Sukuk issuances (US Dollar and Qatari Riyal), strategic advisories as well as mergers and acquisitions (M&As). These services are particularly beneficial for companies undergoing strategic transitions, allowing them to optimize their capital structures for long-term growth.

The team has invaluable experience in working with various Qatari regulatory authorities and manages the end-to-end process, from initial planning stage to final execution, to successfully complete strategically important transactions for clients.

- Capital Markets
 - Raising equity capital: IPOs, secondary offerings, rights issues, equity-linked products
 - Raising equity capital: General debt advisory with specific expertise and experience in Sukuk, from establishing a program, to arranging and executing Sukuk issuances and placements.
- M&A: Buy-side and sell-side advisory services for local and cross-border transactions with specialization in deal negotiation.
- Corporate Finance: Reviewing corporate strategy, determining the appropriate capital structure and working to achieve this, equity and debt market positioning as well as corporate restructuring.

Masraf Al Rayan Launches NEXT Innovation Lab



Doha, Qatar – Masraf Al Rayan is proud to announce the launch of NEXT, an innovation lab that focuses on the latest leading-edge technologies. Carefully designed to meet the needs of clients and drive future growth, this forward-thinking initiative is a key element of “LEAD”, the bank’s three-year development strategy. This initiative highlights the bank’s commitment to enhance innovation and adopt a mindset focused on future development.

NEXT is designed to be a dynamic space where MAR’s employees can explore new ideas, technologies and methodologies. The lab is dedicated to solving the most pressing challenges faced by clients, ensuring that MAR remains at the forefront of delivering cutting-edge solutions. By focusing on creativity, experimentation and collaboration, NEXT will be instrumental in shaping the future of banking at Masraf Al Rayan.

Commenting on the initiative, Fahad Al Khalifa, GCEO of Masraf Al Rayan elaborated: “At Masraf Al Rayan, innovation is at the heart of everything we do. The launch of NEXT represents our firm commitment to not only meet but exceed the evolving needs of our clients. This lab will be a hub for developing new ideas that will drive our growth and strengthen our position as a leader in the financial sector. This initiative is a testament to our forward-thinking strategy and our resolve to lead the industry in innovation and excellence”.

Moreover, the NEXT innovation lab offers a dedicated environment for employees to engage in design thinking, product development and problem-solving. It promotes a culture of innovation where out-of-the-box ideas are encouraged, and collaboration across departments is facilitated. The lab will serve as a breeding ground for new products and services, enabling the bank to bring innovative solutions, marketing faster and more effectively.

From his end, Houssam Itani, Group Chief Transformation Officer at Masraf Al Rayan, stated: “Our transformation journey is driven by a commitment to innovate and adapt in a rapidly changing financial landscape. The launch of NEXT represents our dedication to pioneering new technologies, new ways of working and approaches that



not only enhance our operations but also empower our clients to achieve their financial goals more efficiently.”

In addition to fostering creativity, NEXT is equipped to support employees in their professional growth. The lab will host workshops, hackathons and training sessions focused on the latest technologies, design thinking and agile methodologies. These programs are designed to enhance employees’ skills and prepare them to tackle the challenges of an increasingly digital and fast-paced world.

The lab also introduces a new flexible workspace that supports different working styles and fosters a culture of collaboration, inclusivity and transparency. This modern set-up is designed to remove physical barriers, promote teamwork and create a welcoming environment that enhances employee satisfaction and productivity.

“The creation of NEXT is a strategic move to ensure that Masraf Al Rayan remains ahead of the curve in an ever-changing industry. By providing our employees with the tools and environment they need to innovate, we are not only enhancing our service offerings but also reinforcing our commitment to delivering unparalleled value to our clients,” ended Al Khalifa.

Qatar: From Shariah banking to digital innovations

Qatar's Islamic banking sector has evolved significantly with regulatory changes and new initiatives. With substantial investments in fintech and a growing Takaful sector, Qatar's financial landscape continues to expand, reflecting its commitment to Shariah compliant and sustainable finance. RADHIKA DAS writes.

Regulatory landscape

Qatar Islamic Bank (QIB), the country's first full-fledged Islamic bank, was established in 1982 – 30 years before the Central Bank Law No 13 of 2012 came into effect, formally dictating the guidelines for Shariah compliant banking.

In 2011, a directive by the Qatar Central Bank (QCB) prohibited conventional lenders from operating Islamic banking windows, resulting in the shutdown of the Islamic units of eight banks in the nation.

In 2022, the Qatar Financial Centre (QFC), an onshore financial and business hub in Qatar, introduced the GCC region's first sustainable Sukuk and bonds framework, which is based on the International Capital Markets Association's Green Bond Principles, Social Bond Principles and Sustainable Bond Guidelines.

Banking and finance

The IFSB's Islamic Financial Services Industry Stability Report 2023 indicates that Islamic banking comprised 28.6% of total banking assets in the jurisdiction in 2022. The State's Shariah compliant banking sector includes four full-fledged Islamic banks.

In 2017, Qatar International Islamic Bank (QIIB) launched operations of Ummia Bank in Morocco. In 2019, Dukhan Bank was established through the merger of Barwa Bank and the International Bank of Qatar.

In 2020, Al Rayan Investment, a subsidiary of Masraf Al Rayan (MAR), began the establishment of a full-fledged Islamic and digital bank within the Astana International Financial Centre. A year later, MAR completed its merger with Al Khalij Commercial Bank. Following the merger, the two banks now operate as a single entity under 'Masraf Al Rayan,' with total assets exceeding QAR182 billion (US\$48.67 billion).

Islamic fintech

AZ Internet, established in 2017, specializes in blockchain and cryptocurrencies. The company's mission is to leverage the potential of blockchain to foster financial freedom, with a focus on positive social impact.

Since its establishment in 2020, Qatar FinTech Hub, managed by Qatar Development Bank and backed by Qatar Central Bank and QFC, has supported over 100 fintech start-ups. In alignment with the National Fintech Strategy and the Qatar National Development Strategy, the hub's Fintech Incubation and Acceleration programs have invested over US\$9 million in 70 start-ups from 28 countries.

Separately, Qatar welcomed CoinMena, its first crypto exchange, in 2022. Additionally, PayLater, founded in 2023, is a Buy Now Pay Later service designed to provide consumers with interest-free instalment payments.

In line with the Third Financial Sector Strategy released by QCB, the Qatar Financial Centre Authority and Qatar Financial Centre Regulatory Authority jointly launched the QFC Digital Assets Framework in September 2024. This new regime is designed to regulate and facilitate the creation of digital assets within the QFC.

Capital market

Qatar was among the most active domestic markets in 2022, alongside Bahrain, Indonesia, Saudi Arabia, Pakistan and Turkey.

In the same year, the central bank introduced its Treasury Sukuk and has been issuing it regularly ever since. In June 2024, QCB published its 'ESG and Sustainability Strategy for the Financial Sector' plan, which aims to facilitate the country's ongoing efforts in sustainable finance and support the development of ESG bonds and Sukuk in the country.

Early this year, QIIB announced its plans to issue a five-year US dollar-denominated sustainable Sukuk facility under its US\$2 billion trust certificate program subject to market conditions and in July, the bank announced its plans to launch a Sukuk tap worth US\$250 million with a maturity set for January 2029.

In January 2024, Estithmar established a QAR3.4 billion (US\$926.83 million) Sukuk program to support its global expansion plan and in August 2024, issued the country's first domestic corporate Sukuk worth QAR500 million (US\$135.02 million).

Takaful

The country is a relatively small GCC Takaful player, but the sector's performance is strong. There are five Takaful operators in Qatar.

The 2023 Islamic finance report by Bait Al-Mashura Financial Consulting Company indicates that Takaful companies' assets have reached around QAR4.2 billion (US\$1.12 billion). From 2019 to 2023, the compound annual growth rate of these assets in Qatar was 2.1%.

Additionally, the QFC in 2023 shared with IFN its plan to establish a captive Takaful sector in the country, which is part of an MoU it signed with Malaysia's Labuan International Business and Financial Centre.

Outlook

Qatar's Islamic finance sector is poised for continued growth, driven by innovative financial products. The recent introduction of digital assets and Sukuk frameworks highlights Qatar's commitment to integrating Islamic finance with global standards, strengthening its position as a key player in the Islamic finance industry.

ATTENDING COMPANIES' LIST



- > Abu Dhabi Islamic Bank
- > Al Abdulghani Motors
- > Al Qalam Translation and Services
- > Al Rayan Investment
- > Al Tamimi & Company
- > Albatool
- > Alijarah Holding
- > Andalusian Ornate
- > Aventicum Capital Management
- > Bank of China (Qatar Financial Centre Branch)
- > BOK International Abu Dhabi
- > BTCO Group Doha
- > Business Partners Consulting
- > CIS
- > CSIP
- > DDCAP (DIFC)
- > DigiDoe
- > DNV
- > Draieh Contracting
- > Eiger Trading
- > Exante
- > EY
- > General retirement and social insurance authority
- > German Mittelstand GCC Office
- > GGGI
- > Global Green Growth Institute (GGGI)
- > Grant Thornton
- > GRSIA
- > Gulf Capital Market Association
- > Gulf Syle
- > Hamed Bin Khalifa University
- > Hejaz Financial Services
- > HSBC
- > Ibn Sina Center
- > ICBC Doha
- > ICIEC
- > Iraq National Islamic Bank
- > Julius Baer
- > K&L Gates
- > KBCB

ATTENDING COMPANIES' LIST

- > Kown Capital
- > Lesha Bank
- > Lusail University
- > Masraf Al Rayan
- > Mayuree International
- > McDermott
- > MM
- > Morison Menon Chartered Accountants & Partners
- > Morison Qatar
- > MWC
- > Northern Trust Asset Management
- > Octaware Gulf
- > Power International Holding
- > Private
- > PWA
- > PWC
- > Qatar Financial Centre Regulatory Authority
- > Qatar Foundation



- > Qatar General Holding
- > Qatar General Insurance
- > Qatar Islamic Bank
- > Qatar University
- > QIC
- > QInvest
- > QNB Financial Services
- > Richmond Consultants & Services
- > RPME
- > Ruya Partners
- > Saleh Al Hamad Al Mana
- > Samba Financial Group
- > Simmons and Simmons
- > Specialised International Services
- > Technical Care Center
- > Toptier Trading
- > Trans Capital Finance
- > UBS
- > UCC
- > UDST
- > UNHCR
- > University of Doha for Science & Technology
- > VakifBank (QFC Branch)
- > White Case
- > Zitouna Tamkeen

TESTIMONIAL

"It was a great event which was well-attended by a diverse audience. The agenda was pertinent and topics were well-covered."

• MASRAF AL RAYAN

"An insightful keynote and dynamic panel discussion with industry experts on unlocking the potential of Qatar's Islamic finance market."

Covering key areas from banking and Takaful to capital markets and fintech, the dialogue highlighted how Qatar can harness its strengths to drive further growth across the Islamic finance landscape."

• QATAR FINANCIAL CENTRE

"Held by an excellent organization, it was a privilege to gather with such articulate industry experts. During candid discussions, they debated the successes and weaknesses in Qatar's market structures, product, regulations and the economy. The strong attendance from a broad audience was fantastic to see. Judging by the discussions, the 2025 edition will have more milestones to celebrate."

• AL RAYAN INVESTMENT

"I really think it was a great success. IFN Dialogues has anchored well in Qatar. Looking forward to continue working together."

• QATAR FINANCIAL CENTRE

