

## Another world's first for Qatar



**QATAR**

*By Amjad Hussain*

**The first quarter of 2018 has come to an end and the market anticipates the financial results for that quarter to ascertain how the banking sector in Qatar continues to perform. Notwithstanding that dimension, there have been a number of landmark and significant developments over recent weeks that signal a notable step forward in the diversification of the banking sector and the operation of banks in Qatar.**

The most significant development was the announcement that Masraf Al Rayan and Al Rayan Investment have successfully listed the Al Rayan Qatar ETF (stock exchange ticker: QATR) on the Qatar Stock Exchange. This marks the listing of Qatar's first Shariah compliant exchange-traded fund (ETF) and the largest single-country Shariah compliant ETF in the world. Masraf Al Rayan is the founder of the fund while Al Rayan Investment has been appointed the fund

manager. Adel Mustafawi, CEO of Masraf Al Rayan, commented: "Having the largest Shariah compliant single country ETF in the world is testament to the trust our clients have in Masraf Al Rayan. We are extremely grateful for the support of our investors and look forward to the success of [the] QATR and the Qatari capital markets." The QATR will track the QE Al Rayan Islamic Index which is composed of large and mid-cap equities.

In other news, Qatar Islamic Bank announced that it has increased the limit on foreign ownership to 49% of its share capital. This follows similar announcements made by a number of listed companies on the Qatar Stock Exchange. Qatar National Bank also announced that it will be making a recommendation to its general assembly to increase the foreign ownership in its share capital to 49%. This marks a significant step forward in the diversification of the Qatari banking sector and financial markets.

Separately, the Commercial Bank of Qatar announced that it has signed a US\$250 million two-year loan facility, which was syndicated in the Asian market. The facility has a one-year extension option and the proceeds will be used for general corporate purposes. Mizuho Bank, Bank of China (QFC Branch), ICICI Bank (QFC Branch) Shinhan Bank Co, The Export-Import Bank of the Republic of China, KDB Asia and The Gunma Bank participated in this transaction. Mizuho Bank acted as the sole bookrunner, mandated lead arranger and facility agent.

These recent developments demonstrate a positive sign by the Qatari financial markets in general, and the banking sector in particular, to diversify their sources of funding in light of changes in the region. It is anticipated that this trend will continue into the second quarter of the year. (2)

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## Alternative route to legislating Islamic banking and finance in the Philippines



**THE PHILIPPINES**

*By Rafael A Morales*

**Once again, the bill seeking to enact the Bangsamoro Basic Law (BBL) is being deliberated in the Congress of the Philippines. This is part of the measures geared toward achieving lasting peace in southern Philippines where the Muslim population is concentrated. Significantly, Sections 30 to 33 of the proposed BBL concern Islamic banking and finance.**

If the BBL is enacted, these four sections will collectively serve as a viable alternative to the long-awaited Philippine Islamic Financing Act whose passage by the Congress is less than certain. Section 30 of the proposed BBL mandates the Bangsamoro government not only to enact laws on Islamic finance but also to encourage the establishment of local banks and financial institutions, as well as the entry of offshore banking units of foreign banks, "in accordance with the principles of the Islamic banking

system". In line with this, Section 32 enjoins the Bangsamoro government, the Bangko Sentral ng Pilipinas (BSP), the Department of Finance and the National Commission on Muslim Filipinos to "jointly promote the development of an Islamic banking and finance system" that will include the establishment of a Shariah Supervisory Board.

Furthermore, there is a call to "review [the] existing market environment and policies and adopt measures to enhance the competitiveness of Islamic finance products". Investor awareness and acceptance of those products are to be fostered to "build a broader customer and asset base". Within the BSP, an Islamic banking unit is to be established, according to Section 32. This unit is to be headed by a qualified Islamic banking expert recommended by the chief minister of the Bangsamoro government.

On the other hand, Section 33 of the proposed BBL prescribes the functions and qualifications of the Shariah



Supervisory Board. Notably, the board will "be responsible for monitoring the compliance of Shariah rules on banking and finance transactions and issuance of Shariah products", in addition to its "authority to issue Fatwas regarding the products and practices employed by banks and other institutions". Its members must have the "necessary knowledge of both Islamic jurisprudence and conventional banking and finance".

It remains to be seen whether the proposed BBL will pass the congressional mill and be signed into law by the president of the Philippines. (2)

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