

Qatar: Happy new start



QATAR

By Amjad Hussain

The past few weeks have seen a number of significant announcements of key transactions that have completed or are due to complete during the course of 2017. These announcements will certainly set the scene for a promising year ahead.

The IPO of the Investment Holding Group was announced at the end of 2016 and will take place between the 8th and 22nd January, with the shares due to be listed on the Qatar Stock Exchange (QSE) on the 29th January 2017. The IPO will involve 49.8 million shares at a price of QAR10.1 (US\$2.77) per share, comprising 60% of the company's share capital. Once completed, this will be the second listing on the QSE in the last eight months following the listing of Qatar First Bank back in May 2016.

Another major announcement relates to the rights issue by the Commercial Bank of Qatar, whose shareholders approved an increase in the share capital of the bank from QAR3.27 billion (US\$897.35 million) to QAR3.85 billion (US\$1.06 billion) by way of offering 58.82 million new ordinary shares for subscription at a price

of QAR25.5 (US\$7) per share. The subscription period will take place between the 8th and 22nd January.

However, the Islamic banking sector in Qatar has witnessed perhaps its most significant announcement in recent years. Masraf Al Rayan, Barwa Bank and International Bank of Qatar have announced that they have entered into initial negotiations regarding a potential merger of the three banks to create what will be the largest Shariah compliant bank in the State of Qatar and the third-largest Shariah compliant bank in the Middle East with assets worth more than QAR160 billion (US\$43.91 billion) and a share capital of more than QAR22 billion (US\$6.04 billion).

The proposed merger is subject to the approval of the Qatar Central Bank, the Qatar Financial Markets Authority, the Ministry of Economy and Commerce and other relevant official bodies and the approval of the shareholders in each of the banks after the completion of a legal and financial due diligence on all three banks. If approved, the new entity will maintain all its dealings in compliance with Shariah principles. Once completed, this merger will transform the landscape of the banking sector in the State of Qatar.

In other news, Masraf Al Rayan announced that it has taken a business decision to suspend the activities of its Al Rayan Financial Brokerage Company and its license issued from the Qatar Financial Markets Authority for a period of two years as part of the restructuring of its operations, with the last date of trading through the company being the 12th January 2017. Additionally, Qatar International Islamic Bank (QIIB) recently announced the acceptance by Bank Al Maghrib, Morocco's central bank, of QIIB's submission for the establishment of a bank in the Kingdom of Morocco in partnership with CIH Bank (Credit Immobilier et Hotelier), a Moroccan bank.

A number of banks also announced that their boards will be meeting to discuss and approve their financial statements. Qatar National Bank held its board meeting on the 15th January, Masraf Al Rayan on the 16th January and Qatar Islamic Bank will be holding its meeting on the 18th January.

In general, 2017 has commenced on a positive note which will hopefully continue during the course of the year. ☺

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Brazil: Mergers and acquisitions and the Halal industry



BRAZIL

By Fabio Amaral Figueira

As published in international media, Brazil is still facing economic problems related, for example, to economic growth rate and unemployment. However, Brazil remains a country where investment opportunities continue to exist. Brazil has the advantage of having a large internal market due to the size of its population and of being well positioned geographically in South America, so the country can be a platform for the export of products to other countries in the region.

Based on a quick research of publications made by the Brazilian antitrust authorities for those transactions, which would have

reached the notification thresholds related to merger filings, one may find transactions where Brazilian companies/assets have been the target of foreign investment.

A first example is the acquisition by Italian group Enel of the capital stock of Celg Distribuicao (Celg) in a privatization auction. Celg is an electricity distribution company in the State of Goias. The Italian group already has other investments in Brazil such as participation in electricity distribution companies in the states of Rio de Janeiro (Ampla Energia e Servicos) and Ceara (Companhia Energetica do Ceara).

A second example is a transaction entered into by French group Total and Brazilian state-owned oil company Petroleo Brasileiro–Petrobras as to a

concession agreement related to the oil and gas industry.

As mentioned in prior reports, the Brazilian company BRF has created a subsidiary, OneFoods, whose focus is the Muslim markets – Halal food. BRF now intends to raise US\$1.5 billion with the sale of 20% of OneFoods's capital stock through an IPO. BRF estimates that OneFoods is valued at around US\$6.5 billion with its annual gross revenues amounting to US\$2 billion.

According to BRF, OneFoods has a 45% market share with regards to poultry in Middle Eastern countries, namely Saudi Arabia, the UAE, Kuwait, Qatar and Oman. ☺

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