

Hong Kong's golden opportunity in Islamic wealth management



HONG KONG

By Wafee Yeung

The Islamic wealth management industry is rapidly picking up momentum to become the new frontier for the global Islamic finance industry with the booming number of Muslim high-net-worth individuals (HNWIs). In recent years, Islamic wealth management has been one of the fastest-growing areas in the global Islamic finance arena alongside Islamic banking, Sukuk and Takaful. Nowadays, Islamic wealth is estimated to be US\$14 trillion out of the worldwide wealth of US\$110 trillion, and Muslim HNWIs occupy around US\$4.5 trillion.

The Shariah compliant family office is an innovation and one of the remarkable trends is the establishment of family Waqf to manage Islamic family wealth, where the assets are locked up and family members or heirs only utilize the dividends that are generated from the business, in accordance with the stewardship concept, in order to preserve wealth to be succeeded through generations.

Hong Kong is widely recognized as one of the ideal jurisdictions for the establishment of family offices in Asia. Many Asian HNWIs, especially those from mainland China, normally choose Hong Kong as the optimal investment platform for their overseas private investments, by way of establishing a family office in the city to manage their assets and businesses centrally. This type of arrangement makes the best use of Hong Kong's comparative advantages in terms of the ease of business formation, efficient legal system, no foreign exchange control and its simple and low tax regime, where profits generated outside the territory of Hong Kong, together with dividends and capital gains, are non-taxable under Hong Kong tax law.

Many Muslim HNWIs also prefer to establish a family office in Hong Kong due to its tax parity, fiscal advantages, confidentiality and world-leading dispute resolution expertise. It is believed that Shariah compliant family offices will be of great interest in years to come, including Zakat planning and probably some form of philanthropy. Shariah

compliant funds and ethical funds are also likely to strengthen coherently. As a consequence, it would be interesting and meaningful to see if Islamic wealth managers and conventional ethical investment funds can collaborate to market investment products that are not only exclusive to Muslim investors.

In other parts of the world, Qatar, the UAE and Luxembourg are also widely accepted as excellent wealth management centers, offering a highly attractive environment for private wealth management, complemented with comprehensive solutions for managing and structuring HNWIs' wealth. For instance, a number of banks in Luxembourg have an established track record in providing Shariah compliant financial services as well as establishing customized Islamic investment structures for private clients. Nonetheless, Hong Kong plays a leading role in Asia when compared to its Middle Eastern and European counterparts. ☺

Wafee Yeung is the managing director of Allalah Consulting. He can be contacted at wafee@allalah.com.

2019 comes with high hopes and expectations of a prosperous, diversified economy in Qatar



QATAR

By Amjad Hussain

The stock market hit its highest level in two years, and the banking sector remains strong and stable. Qatari banks will be releasing their performance for 2018 during the coming weeks including four Islamic banks.

The Qatari stock market hit its highest level in nearly two years in the first week of 2019, as financial stocks boosted most major Gulf bourses ahead of corporate earnings announcements next week. Qatari stocks are projected to maintain their earnings growth momentum in the fourth quarter of 2018. QNB Financial Services expects Qatari stocks under its coverage to continue their earnings growth momentum in the fourth quarter with a +18.3% year-on-year increase. Qatar National Bank (QNB), the largest bank by assets in the MENA region, is

raising a EUR2 billion (US\$2.29 billion) syndicated loan. The loan would replace a EUR2.25 billion (US\$2.57 billion) euro-dominated loan obtained in May 2016 which matures in May. Banca IMI, Credit Agricole, Societe Generale and UniCredit are the mandated lead arrangers and bookrunners of the new facility. The Industrial and Commercial Bank of China and ING are also participating in senior roles before the deal is syndicated to other banks. QNB raised over US\$7 billion in loans over the past three years in the international syndicated loan market.

Doha Bank, one of the largest conventional lenders in the country, has successfully closed a US\$525 million syndicated senior unsecured term loan facility with a group of leading international and regional lending institutions. The facility, which will be used for general working capital purposes, carries a margin of 100bps per annum over USD LIBOR and has

a bullet repayment at the end of the two-year tenor (with a further one-year extension option exercisable at the discretion of lenders). Australia and New Zealand Banking Group, Commerzbank Aktiengesellschaft, Filiale Luxemburg, ING Commercial Banking, Mizuho Bank, MUFG and Wells Fargo Bank London Branch acted as the bookrunners and mandated lead arrangers, while the Commercial Bank of Qatar joined as a lead arranger.

Despite the ongoing geopolitical issues, Qatari banks boast strong levels of liquidity, high asset quality and strong capitalization. It is anticipated that the Qatari banking sector will pick up in the first quarter as World Cup-related expenditure intensifies. ☺

Amjad Hussain is a partner at K&L Gates. He can be contacted at Amjad.Hussain@klgates.com.