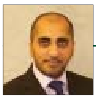
Government support, financial results and the Cuban market



QATAR

By Amjad Hussain

As the market re-emerges from its quiet summer, business activity has certainly seen an increase in recent weeks. This is a positive sign and has been embraced by the business community in Qatar.

Perhaps a key factor that has helped to instill market confidence in future prospects was the recent announcement by the Qatari government of its intention to award contracts for projects that are worth US$56 billion and the government's pledge to help boost the private sector. Another major deal that was recently announced that clearly demonstrated that the Qatari market is healthy and strong was the purchase of 100 Boeing aircraft by Qatar Airways for US$18 billion.

Banks are all gearing up to disclose their third quarter financial results. Masraf Al Rayan disclosed its results on the 17th October, with Qatar Islamic Bank, Qatar International Islamic Bank and Qatar First Bank following suit on the 18th October, 24th October and 26th October respectively. These results will be monitored closely by the market as they will provide an indication of the performance trend of Islamic banks in Qatar over the summer period.

Separately, Qatar National Bank has announced that it has received the required license to set up a branch in Cuba. The move is an interesting one given that the Cuban market has been in isolation for the past 50 years.

The Qatar Stock Exchange has also recently conducted workshops and seminars on exchange-traded funds (ETFs) and their importance in the stock market. This comes ahead of the anticipated listings of the first two ETFs in the near future, including a Shariah compliant ETF. The impact of the listing of the ETFs will certainly be positive on the stock market.

The ETFs have been in the works for many months and it is a great achievement to see them coming out of the regulatory approval process and this will no doubt increase investments from overseas in the Qatar Stock Exchange and will help to stabilize the flows of capital to and from the local economy.

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Hong Kong: Potential to be more tax-friendly for OBOR infrastructure projects

HONG KONG

By Wilson Yeung

Hong Kong has been given a golden opportunity to establish a promising debt market that is comparable in scale to that of the UK, in view of the huge potential in debt financing for 'One Belt, One Road' (OBOR) projects. Firstly, the Hong Kong government should work hand-in-hand with the private sector, proactively lobbying the multilateral agencies including the Asian Infrastructure Investment Bank, the Silk Road Fund and the New Development Bank to consider issuing foreign currency bonds and infrastructure bonds in Hong Kong.

Secondly, the Hong Kong Monetary Authority should consider expanding its Infrastructure Financing Facilitation Office to include a marketing agency function to attract more of such debt financing activities to Hong Kong. Most importantly, the Hong Kong government should consider offering tax incentives, for instance, the exemption of tax on interest income and profits, for companies which hold debt. The incentives should also include the extension of a tax exemption on interest income and profits derived from debt instruments issued by governments and multilateral agencies in various currencies.

By virtue of the prevailing Qualifying Debt Instrument scheme and the Inland Revenue Ordinance of Hong Kong, interest income and trading profits derived from certain debt instruments are exempted from profits tax in Hong Kong. The debt instruments include Hong Kong government bonds, Hong Kong dollar-denominated multilateral agency debt instruments, exchange fund bills and notes and renminbi-denominated bonds issued by the government of China in Hong Kong.

It is advisable that the Hong Kong government should also consider exempting profits tax on interest income and trading profits from debt instruments issued by specific funds for infrastructure projects. On the other hand, Islamic finance always plays a significant role in OBOR project financing. The Hong Kong government did a great job in providing a level-playing field for Sukuk and conventional bonds by amending its tax laws in 2013. More tax incentives on

Islamic debt securities are also expected to pave the way for Hong Kong to become a flourishing Islamic financial center.

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