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Opening the Arab Capital Markets: Expectations and Requirements

Since 2013, the Arab region is concentrating on the opening of the Arab Capital Markets to the foreign investors. After the upgrade of the UAE and Qatar by the MSCI and S&P Dow Jones, to become a part of their Emerging market indices, the Saudi market has opened on the 15th of June 2015 to the foreign investment. Many articles were written about the benefits for the region from such opening, and several comments were published about the depth that it can bring to our Markets. It is normal to have such positive view when the trends are mainly positive. Still, it is worth reminding some analysts that during the global financial crisis, they were accusing the international Hot Money for having stimulated the sharp correction on the Arab markets.

Personally, I believe that the Arab markets cannot know a long term development by being isolated from the international markets. Their opening is a must and there are plenty of benefits, but we should consider the pros and cons of each and every new procedure taken on our markets in order to not only maximize its positive effects and minimize its negative effects, but also to accept the consequences of our choices in the future.

Our markets are still young compared to the international markets. Saudi Arabia, United Arab Emirates and Qatar financial markets were established in the beginning of the last decade, like 14 years ago. Compared to human life we can consider they are still in their teen's age. This period of life is the best period to grow, but still a fragile one. We have raised our child in a protected home; we covered him so warm, we sealed well the windows and doors, we preserved him from all kinds of bacteria and barely allowed him to play with his close relatives, isolating him from the external climate changes. Can you imagine if we suddenly open widely our doors and windows, allowing visitors to come inside? Putting our child in front of all kind of external winds without giving him the chance to acquire progressively a natural immunity? And then of course we will blame the wind for having existed and blame the visitors for not being aware of our hospitality customs and manners before entering our home, and blame the bad guys for having played dangerously with our child.

The above example shows how important are the restrictions defined by some Arab Capital Markets prior to the opening of their markets to the foreign investment. Step by step and

gradually, our markets will acquire the required immunity and will be able to face the international hectic environment.

Still, we should also take into consideration the foreign investors' expectations. For a successful opening of the Arab Markets, we will have to meet the international requirements and needs, such as the full disclosure, the trustable rating agencies, the analysts' studies, the Market Making, the shorting and securities landing, among other requirements. I am sure that time will tell us that a wise opening of the Arab markets will draw a success story for the Arab region. Till then, we have full trust that the Arab Capital Market Authorities are caring enough to put the train on the right track through their wise rules and regulations.

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