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SPECIAL REPORT

ETFs and REITs in Arab capital markets: Growth potential meets liquidity and demand gaps

What does a survey of 13 Arab exchanges reveal?



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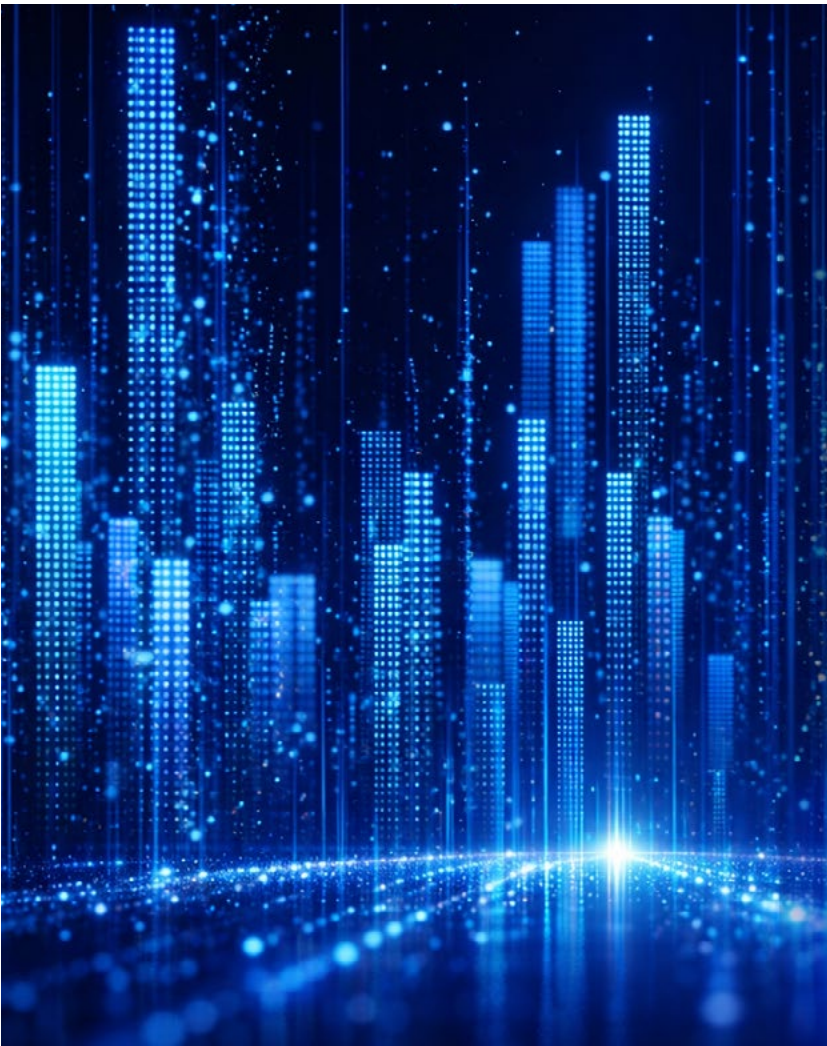
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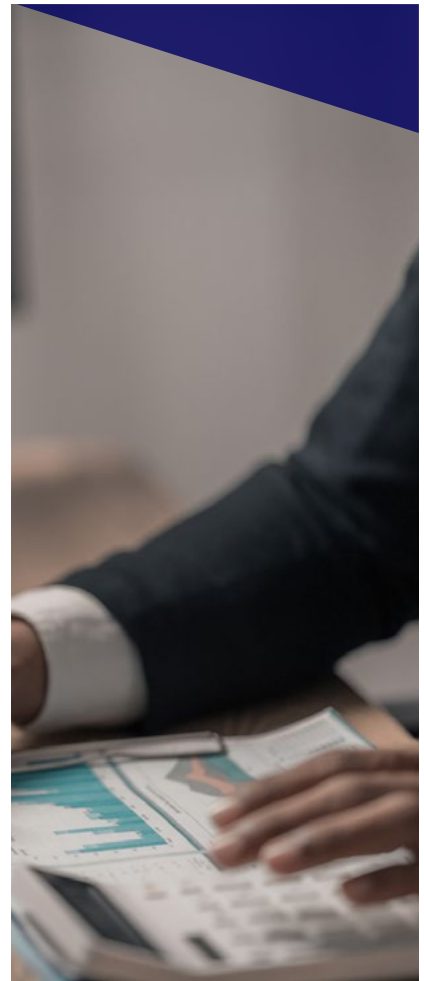
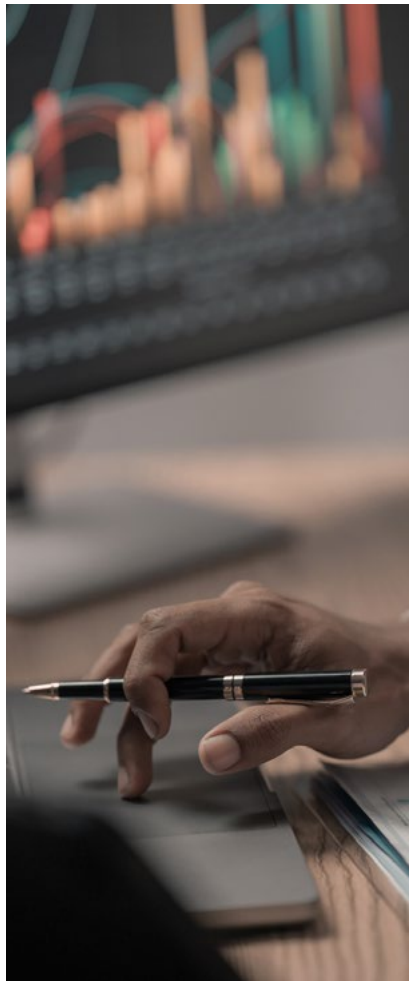
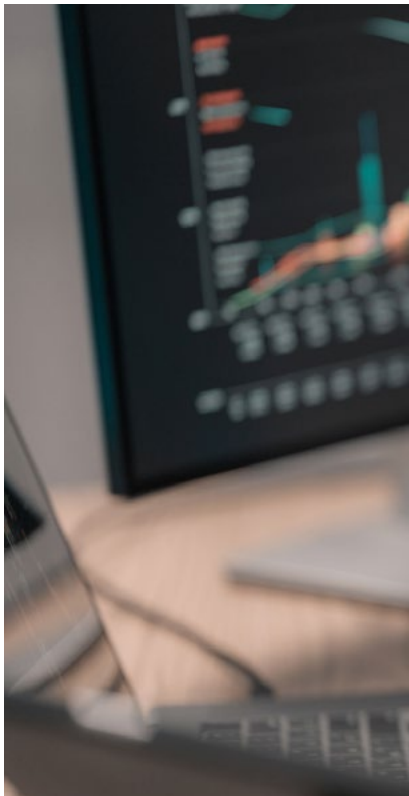
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Executive Summary

Exchange-traded funds (ETFs) and real estate investment trusts (REITs) can contribute to deeper and more diversified Arab capital markets by broadening investor access and supporting institutional, foreign and retail participation.

Drawing on a survey conducted by the Arab Federation of Capital Markets (AFCM) among 13 of its member exchanges, this report highlights uneven development across the region.

Eight participating exchanges reported listings in at least one category. ETFs are listed in Abu Dhabi, Dubai, Egypt, Qatar and Saudi Arabia, while REITs or listed real estate funds are available in Bahrain, Dubai, Egypt, Kuwait, Muscat and Saudi Arabia. Regulatory permission, however, has not always resulted in issuance or sustainable trading.

Core market infrastructure is relatively well established, including central securities depository and settlement arrangements, custodians, trustees and listing rules.

Specialised components, including authorised participants, qualified ETF issuers, market makers and investor-education resources, are less consistently developed.

The principal challenges include limited investor awareness, shortage of qualified ETF issuers, low secondary-market liquidity, insufficient market-making support and limited REIT manager or eligible asset capacity.

These constraints are interconnected: weak demand can discourage issuance, a limited product base can weaken the commercial case for market making, and low liquidity can further reduce investor interest.

Cross-listing is possible in several participating markets, but regional passporting remains at an early stage.

Regional cooperation should initially focus on practical compatibility through common terminology, ETF and REIT guidelines, comparable disclosure principles, market-maker standards and institutional capacity building.

Pilot cross-listing or mutual-recognition arrangements could follow in compatible markets.

Development should proceed in phases: first establishing clear frameworks and institutional capacity; then activating commercially viable domestic products and strengthening liquidity and distribution; and finally expanding product diversity and pursuing regional cross-listing where regulatory and operational compatibility permits.

Arab capital markets should ultimately prioritise the quality and sustainability of products rather than the number of listings.

Introduction

▶ Background and rationale

ETFs and REITs can broaden investor participation and provide access to a wider range of financial and real assets.

ETFs provide exposure to portfolios of securities or other assets through a single exchange-traded instrument, while REITs provide access to professionally managed, income-generating real estate portfolios.

Together, they offer Arab capital markets opportunities to diversify listed instruments and attract institutional, foreign and retail investors. The region's established Islamic-finance industry, significant real estate sector and growing interest in passive and index-based investment provide a potential foundation for their development.

The regional landscape, however, remains uneven. Some Arab markets have ETF and REIT listings, while others permit these products without issuance or have yet to establish dedicated frameworks. Even where products are listed, development may be constrained by limited issuer capacity, weak secondary-market liquidity, insufficient market-making support and limited investor awareness.

ETF and REIT development should, therefore, be approached as an ecosystem-building exercise rather than a listing initiative. Successful markets require coordination among regulators, exchanges, issuers, managers and other service providers, supported by reliable valuation, clear disclosure, appropriate governance and distribution.

Against this background, AFCM surveyed its member exchanges to assess regional ETF and REIT development, market-specific needs and priorities for regional cooperation.

▶ Strategic importance of ETFs and REITs

ETFs and REITs can support capital-market development by improving access to asset classes that may otherwise be costly or difficult to reach. ETFs provide diversified exposure through a single transaction, while REITs make income-generating real estate accessible through tradable securities.

They can serve different investor groups: retail investors may use them for diversified exposure, while institutional investors may employ them for asset allocation, liquidity management or income generation.

ETFs can also support indices, benchmarks and passive investment, while REITs can connect capital markets with the real economy by enabling property owners to monetise stabilised assets and recycle capital.

Sharia-compliant equity, sukuk and commodity ETFs and Sharia-compliant REITs represent a particular regional opportunity, building on existing Islamic-finance expertise.

These benefits do not arise from listing alone. Product development should be based on genuine investor demand, appropriate underlying assets and a sufficiently developed supporting ecosystem.

▶ Objectives and scope

This report assesses ETF and REIT development in Arab capital markets and the conditions required for sustainable expansion, based principally on responses from 13 AFCM member exchanges.

It maps current product availability, examines development opportunities, assesses the institutional, regulatory and operational ecosystem, identifies barriers to issuance, liquidity and investor adoption, and proposes a regional framework and phased roadmap.

The analysis covers product structures, issuers and managers, authorised participants, market makers, index providers, custodians, trustees, valuation, creation and redemption, disclosure, taxation, Sharia governance, investor education and cross-border distribution.

It identifies common principles that may be adapted to different legal systems, market structures and stages of development.

Definitions

ETFs

An exchange-traded fund is a collective investment vehicle whose units are listed and traded on an exchange, providing exposure to a specified index, asset class or investment strategy. ETF portfolios may include equities, fixed-income instruments, sukuk, commodities or other eligible assets.

A defining feature is the creation and redemption mechanism. Authorised participants exchange prescribed baskets of securities or cash for blocks of ETF units, allowing supply to respond to demand and helping align market prices with underlying portfolio values.

ETF liquidity reflects both secondary-market trading and the liquidity of the underlying assets. Trading volume alone is therefore not a complete measure of liquidity, as authorised participants may create additional units where the underlying securities are sufficiently liquid.



REITs

A real estate investment trust is an investment vehicle that owns, manages or finances real estate assets and allows investors to participate through listed units or shares.

Equity REITs generally own income-generating properties such as offices, residential buildings, hotels, retail or logistics facilities. They provide real estate exposure without direct property ownership or management, while allowing owners and developers to monetise stabilised assets and recycle capital.

Many REIT regimes require a substantial portion of eligible income to be distributed to investors, although distributions are not guaranteed and depend on property income, costs and financing. A REIT's credibility also depends on asset quality, management, independent valuation and governance.

Principal similarities and differences

ETFs and REITs may both be exchange-traded and provide indirect exposure to portfolios of underlying assets. Both also require clear disclosure, reliable valuation, custody, settlement and effective investor protection.

Their operating models differ.

ETFs rely on authorised participants, creation and redemption, while REITs own or finance real estate and derive performance from property income, valuation, financing and management.

ETF portfolios containing exchange-traded securities can usually be valued using observable market prices, while REITs rely more heavily on periodic professional appraisal.

Liquidity also differs. ETF liquidity reflects trading in the units, underlying-portfolio liquidity and creation and redemption capacity. REIT liquidity depends mainly on public float, investor demand, ownership concentration and market-making support.

Regulation must therefore be product-specific. ETF rules should address benchmarks, portfolio transparency, tracking, authorised participants, creation and redemption, and intraday valuation. REIT rules should focus on asset eligibility, independent valuation, distributions, leverage, related-party transactions and property management.

Benefits and risks

ETFs and REITs can broaden investor access and diversify the range of listed financial and real assets.

They also involve distinct risks. Investors in ETFs may face market volatility, premiums or discounts to net asset value, tracking differences, liquidity constraints and fees. REIT investors may face property-market and valuation risks, tenant concentration, leverage, interest-rate exposure and changes in distributions.

Clear disclosure and investor education are therefore essential. Product characteristics and risks depend on the underlying assets, structure, management and trading environment.

Relevance to the region

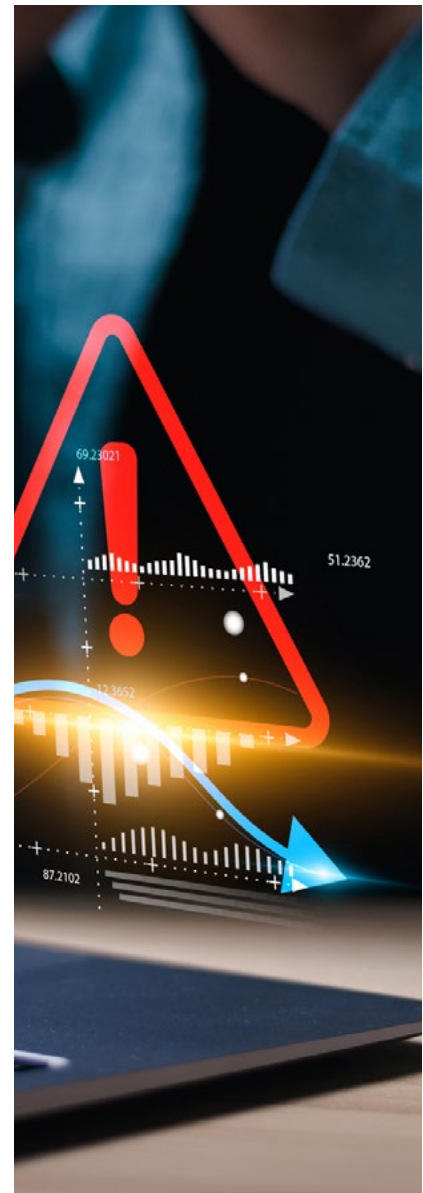
ETFs and REITs align with regional priorities including product diversification and access to passive, Sharia-compliant, fixed-income and real estate investment.

Regional indices and ETFs could provide exposure to several Arab markets through a single product, but require investable benchmarks, reliable data, access to underlying securities and compatible settlement arrangements.

The region's significant real estate sector could similarly provide income-generating assets for REITs, subject to appropriate management, valuation and investor protection.

Development priorities will vary by market readiness. Markets with products may focus on diversification, scale, liquidity and cross-border distribution; those with enabling frameworks but no listings may prioritise issuer pipelines and commercial activation; and earlier-stage markets may concentrate on legal definitions, institutional responsibilities, disclosure and governance.

The regional objective should be credible and compatible frameworks suited to each market rather than the maximum number of products or an identical model across jurisdictions.



The survey's design and output

► Purpose and design

The survey examines both product availability and the broader ecosystem supporting issuance, trading, liquidity, disclosure and investor participation.

The questionnaire consists of ten questions covering the availability and types of ETFs and REITs, development objectives, essential ecosystem components, market constraints, market-making arrangements, disclosure requirements, cross-listing and passporting, international benchmarks and regional cooperation.

The questionnaire combines factual and forward-looking elements. Where exchanges distinguished between existing and proposed arrangements, this distinction is maintained in the analysis. Where the status was not expressly differentiated, the findings are interpreted conservatively.

The survey provides a regional overview based on information reported by participating exchanges.

It is not a formal legal assessment of each jurisdiction or a quantitative evaluation of product performance, but identifies regional development patterns, common constraints and areas in which AFCM coordination may add value.

► Participating Arab exchanges

The survey received responses from 13 Arab exchanges: Abu Dhabi Securities Exchange (ADX), Amman Stock Exchange (ASE), Bahrain Bourse (BHB), Casablanca Stock Exchange (CSE), Dubai Financial Market (DFM), the Egyptian Exchange (EGX), Iraq Stock Exchange (ISX), Boursa Kuwait (BK), Muscat Stock Exchange (MSX), Palestine Exchange (PEX), Qatar Stock Exchange (QSE), Saudi Exchange (Tadawul) and Tunis Stock Exchange (TSE).

The respondents represent markets with different levels of capitalisation, liquidity, investor participation, regulatory maturity and product availability, ranging from markets with products to those with enabling regulations but no listings or without dedicated frameworks.

Their development needs therefore differ according to market readiness, from introducing initial products to diversifying existing offerings or facilitating cross-border distribution.

► Findings overview

ETF and REIT development remains uneven across the region. Of the 13 participating exchanges, eight reported at least one listing: five had ETFs, six had REITs or other listed real estate investment vehicles, and three had listings in both categories.

Regulatory permission has not always resulted in market development.

Morocco and Palestine permit both products but reported no listings, Jordan indicated that the relevant frameworks remain under consideration, and Iraq and Tunisia reported no dedicated framework.

Core exchange and post-trade infrastructure is more widely available than specialised functions such as authorised participants, market makers and investor-education resources.

The leading objectives were broader access to diversified products and improved liquidity, while the principal challenges included limited investor awareness, a shortage of qualified ETF issuers, low secondary-market liquidity, limited REIT management capacity and insufficient market-making support.

Overall, the findings point to an ecosystem challenge: legal frameworks alone are insufficient without the institutions, infrastructure, liquidity and investor demand needed to support viable products.

Landscape

Five exchanges reported listed ETFs and six reported REITs or listed real estate investment funds. Dubai, Egypt and Saudi Arabia reported listings in both categories. Both products are permitted but not listed in Morocco and Palestine, are under regulatory consideration in Jordan, and lack dedicated frameworks in Iraq and Tunisia.

Market position	Exchanges
Both ETFs and REITs are listed	DFM; EGX; Tadawul
ETFs listed, REITs not listed	ADX; QSE
REITs listed, ETFs not listed	BHB; BK; MSX
ETFs and REITs permitted, but no listings	CSE; PEX
Products under regulatory consideration	ASE
No ETF or REIT framework exists	ISX; TSE

The results show different stages of regional development, from regulatory consideration and permission without issuance to listings in one or both categories.

A regulatory framework alone does not guarantee product launches. Markets with enabling regulations but no listings may need to strengthen issuer pipelines, market-making arrangements, distribution channels and investor demand.



Findings

► Liquidity and product diversification

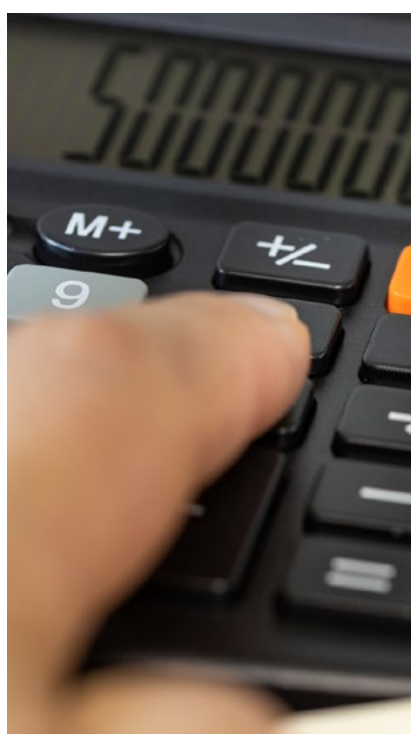
Equity index ETFs were the most frequently identified ETF category, reported by seven markets, followed by Sharia-compliant ETFs in five and fixed-income or sukuk ETFs in three. Their status varies between listing, formal permission and regulatory consideration.

Sector, commodity and ESG or sustainability-themed ETFs were identified only by Kuwait and Saudi Arabia. As Kuwait has no ETF listings, these responses include categories considered relevant for future development rather than only traded products.

Six markets reported REITs or listed real estate funds.

Product category	Exchanges identifying the product
Equity index ETFs	ADX; CSE; DFM; EGX; BK; QSE; Tadawul
REITs or listed real estate funds	BHB; DFM; EGX; BK; MSX; Tadawul
Sharia-compliant ETFs	ADX; DFM; BK; QSE; Tadawul
Fixed-income or sukuk ETFs	ADX; BK; Tadawul
Sector ETFs	BK; Tadawul
Commodity ETFs	BK; Tadawul
ESG or sustainability-themed ETFs	BK; Tadawul

The regional ETF landscape remains concentrated around equity index and Sharia-compliant products, with more specialised categories still limited. At this stage, expansion should prioritise transparent products with suitable underlying assets, investor demand, issuer capacity and market-making support.



Themes and institutional, foreign and retail participation

Broadening investor access to diversified products was the leading objective, selected by 11 exchanges, followed by improving market liquidity, selected by ten.

Attracting foreign investors, supporting passive and index-tracking strategies, and enabling participation in the real estate sector through REITs were each identified by seven exchanges. Six respondents selected the encouragement of retail investor participation.

Sharia-compliant product development and regional integration were each selected by five exchanges. Abu Dhabi and Saudi Arabia also identified the development of fixed-income or sukuk market access as a strategic objective.

Strategic objective	Exchanges selecting the objective
Broaden investor access to diversified products	ADX; ASE; BHB; CSE; DFM; EGX; MSX; PEX; QSE; Tadawul; TSE
Improve market liquidity	ADX; ASE; BHB; CSE; DFM; BK; MSX; PEX; Tadawul; TSE
Attract foreign investors	ADX; ASE; DFM; BK; MSX; PEX; Tadawul
Support passive and index-tracking strategies	ADX; ASE; DFM; EGX; BK; MSX; Tadawul
Support real estate participation through REITs	BHB; DFM; EGX; BK; MSX; PEX; Tadawul
Encourage retail investor participation	DFM; EGX; BK; MSX; PEX; Tadawul
Promote Sharia-compliant investment products	ADX; BHB; DFM; PEX; Tadawul
Support regional integration and cross-border investment	ADX; BHB; BK; MSX; Tadawul
Develop fixed-income or sukuk market access	ADX; Tadawul

The findings show that participating exchanges view ETFs and REITs not merely as additional securities but as instruments for diversification, liquidity and investor-base expansion.

Delivering these outcomes requires more than listing: their contribution to liquidity and participation depends on product design, distribution, affordability, investor understanding and effective liquidity providers.

ETF and REIT requirements

The survey assessed the principal structural components required for ETF and REIT markets. Central securities depository and settlement infrastructure was the most widely reported, identified by ten exchanges, followed by custodians or trustees in nine.

Eight exchanges reported REIT or real estate fund managers, clear regulatory listing rules, NAV or indicative NAV mechanisms, and creation and redemption arrangements. Seven identified ETF issuers or asset managers and index providers.

More specialised liquidity functions were less widely reported. Six exchanges identified market makers or liquidity providers, while five reported authorised participants. Egypt noted that the relevant framework for both was under development.

Component	Exchanges reporting availability
CSD and settlement infrastructure	ADX; ASE; BHB; CSE; DFM; EGX; BK; MSX; PEX; Tadawul
Custodians or trustees	ADX; ASE; BHB; CSE; DFM; EGX; BK; PEX; Tadawul
REIT or real estate fund managers	BHB; CSE; DFM; EGX; BK; MSX; QSE; Tadawul
Clear regulatory listing rules	ASE; BHB; CSE; DFM; EGX; BK; MSX; Tadawul
Daily NAV or indicative NAV mechanisms	ADX; BHB; DFM; EGX; BK; MSX; QSE; Tadawul
Creation and redemption mechanisms	BHB; CSE; DFM; EGX; BK; MSX; QSE; Tadawul
ETF issuers or asset managers	ADX; CSE; DFM; EGX; BK; QSE; Tadawul
Index providers	ADX; CSE; DFM; EGX; BK; QSE; Tadawul
Market makers or liquidity providers	ADX; DFM; EGX; BK; QSE; Tadawul
Sharia-governance frameworks	ADX; BHB; DFM; MSX; PEX; QSE
Authorised participants	ADX; DFM; BK; QSE; Tadawul
Investor-education materials	DFM; MSX; QSE; Tadawul
Tax framework specifically identified	DFM

The results suggest that core exchange and post-trade infrastructure is more developed than the specialised commercial and operational components required for ETF markets. Limited availability of authorised participants and market makers may constrain issuance and liquidity even where listing rules and settlement arrangements exist.

The limited availability of investor education materials is especially notable because investor awareness was among the most frequently reported challenges. This mismatch identifies a clear area for intervention.

Only Dubai specifically identified a tax framework as an available ecosystem component. This does not necessarily mean that other markets lack applicable arrangements, but may indicate that tax treatment is not explicitly recognised within their ETF and REIT frameworks.





Challenges

Limited investor awareness, shortage of qualified ETF issuers and low secondary-market liquidity were the leading challenges, each identified by seven exchanges.

Six exchanges identified a limited number of REIT managers or eligible real estate assets. Five each reported a lack of market makers or liquidity providers and insufficient incentives for issuers or market makers.

Jordan and Oman identified regulatory uncertainty. Four other challenges were each reported by one exchange: limited benchmark availability, operational constraints, unclear creation and redemption process, and tax or legal structuring difficulties.

Challenge	Exchanges identifying the challenge
Limited investor awareness	ADX; ASE; BHB; CSE; DFM; EGX; BK
Limited number of qualified ETF issuers	ADX; ASE; BHB; DFM; EGX; BK; MSX
Low secondary-market liquidity	BHB; DFM; BK; MSX; QSE; Tadawul; TSE
Limited number of REIT managers or eligible assets	ASE; BHB; DFM; EGX; BK; MSX
Lack of market makers or liquidity providers	ASE; BHB; EGX; MSX; TSE
Insufficient incentives for issuers or market makers	ASE; EGX; BK; PEX; QSE
Regulatory or licensing uncertainty	ASE; MSX
Limited index availability or benchmark design	BHB
Custody, settlement or operational constraints	MSX
Lack of a clear creation and redemption process	QSE
Tax or legal structuring challenges	TSE

The principal barriers therefore extend beyond regulation. Even where formal frameworks exist, product development may be hindered by limited supply, demand, distribution and liquidity support.

These barriers reinforce one another: limited awareness weakens demand and discourages issuers; a small product base reduces the commercial appeal of market making; and low liquidity further limits participation. Sustainable development therefore requires coordinated intervention across the product-development chain.

Developments

Liquidity

The survey asked which market-making or liquidity-support mechanisms currently apply or should apply to ETFs and REITs. Mandatory ETF market makers and exchange incentives for liquidity providers were the leading mechanisms, each identified by eight exchanges.

Six respondents selected mandatory REIT market makers and spread obligations. Five selected fee rebates, minimum quote sizes and minimum market presence requirements, while four identified voluntary market-making arrangements.

Mechanism	Exchanges identifying the mechanism
Mandatory market maker for each ETF	ASE; CSE; DFM; BK; MSX; QSE; Tadawul; TSE
Exchange incentives for liquidity providers	ADX; ASE; BHB; DFM; EGX; BK; MSX; Tadawul
Mandatory market maker for each REIT	ASE; CSE; DFM; EGX; MSX; QSE
Spread obligations	ADX; ASE; DFM; BK; MSX; QSE
Fee rebates or reduced trading fees	ASE; BHB; DFM; BK; QSE
Minimum quote-size obligations	ADX; DFM; EGX; BK; QSE
Minimum presence during trading hours	ADX; DFM; EGX; BK; QSE
Voluntary market-making arrangements	DFM; EGX; BK; MSX
No specific market-making framework	DFM; PEX

Dubai distinguished between mechanisms already applied and those that should apply. It reported voluntary market making, exchange incentives, fee rebates and operational quoting requirements as existing mechanisms, and mandatory appointments as measures that should apply. However, the reference to the absence of a specific market-making framework suggests that treatment may vary by product or market segment.

Overall, the survey demonstrates broad regional support for structured liquidity arrangements combining formal market-maker appointments, measurable quoting and presence obligations, and performance-linked incentives.



► Disclosure requirements

Intraday indicative NAV was the leading disclosure requirement, selected by nine exchanges, followed by real estate asset-valuation reports in eight and portfolio-holdings disclosure in seven.

Daily NAV, index methodology, fees, liquidity information and distribution policies were each identified by six exchanges. Five selected Sharia-related disclosure, while four each identified tracking-error and ESG disclosure.

Disclosure requirements	Exchanges identifying the requirement
Intraday indicative NAV	ADX; CSE; DFM; BK; MSX; PEX; QSE; Tadawul; TSE
Real estate asset-valuation reports	ASE; BHB; DFM; EGX; BK; MSX; QSE; Tadawul
Portfolio-holdings disclosure	BHB; CSE; DFM; BK; MSX; QSE; Tadawul
Daily NAV disclosure	ADX; BK; MSX; PEX; QSE; Tadawul
Index-methodology disclosure	DFM; BK; MSX; PEX; QSE; Tadawul
Fees and expense-ratio disclosure	DFM; EGX; BK; MSX; QSE; Tadawul
Liquidity and trading-volume disclosure	BHB; DFM; BK; MSX; QSE; Tadawul
Dividend or distribution-policy disclosure	ADX; BHB; DFM; MSX; QSE; Tadawul
Sharia-screening or Sharia-board disclosure	DFM; BK; MSX; QSE; Tadawul
Tracking-error reporting	DFM; BK; QSE; Tadawul
ESG or sustainability disclosure	BHB; EGX; MSX; QSE

Bahrain additionally reported audited financial statements and monthly REIT NAV reporting, while Dubai included financial statements among its existing requirements. Disclosure needs differ by product: ETFs require frequent information on NAV, holdings, benchmark methodology, tracking quality and costs; REITs require property-level valuation, income, distribution, leverage and governance information. Both require transparent disclosure of fees, liquidity and material risks.



► Cross-listing and regional market integration

Six exchanges allow or may approve cross-listing of ETFs, four may admit foreign ETFs for local trading, and three allow REIT cross-listing.

Kuwait and Oman reported that local products may be listed or distributed abroad and that regional passporting arrangements are under consideration.

Cross-border arrangement	Exchanges identifying the arrangement
ETF cross-listing allowed or subject to regulatory approval	ADX; BHB; DFM; BK; MSX; QSE
Foreign ETFs may be admitted for local trading	BHB; DFM; BK; MSX
REIT cross-listing allowed	DFM; BK; MSX
Local products may be listed or distributed abroad	BK; MSX
Regional passporting under consideration	BK; MSX

Egypt reported that cross-listing is not currently allowed. Jordan, Morocco, Palestine, Saudi Arabia and Tunisia identified no applicable arrangement, while Iraq provided no substantive response.

Cross-border pathways therefore exist but remain fragmented and subject to national approval. With regional passporting considered only by Kuwait and Oman, coordinated regional distribution remains at an early stage.

► International and regional benchmarks

The survey asked respondents to identify international or regional ETF and REIT markets that could serve as models for Arab capital markets.

Saudi Arabia and the UAE were the leading regional benchmarks.

The United States was selected for ETF liquidity, market-making depth and product innovation; Europe for harmonisation, passporting and institutional distribution; and selected Asian markets for exchange-led development and retail participation.

Benchmark market or model	Exchanges identifying the benchmark
Saudi ETF and REIT market	ASE; BHB; BK; PEX
UAE ETF and REIT market	ADX; ASE; BHB; BK
United States ETF market	BHB; BK; PEX
European ETF market	CSE; BK
Selected Asian ETF markets	BHB; BK
No specific benchmark identified	DFM; EGX; MSX; QSE; Tadawul; TSE

The prominence of Saudi Arabia and the UAE suggests that regional experience may offer lessons more readily adaptable to Arab regulatory structures, investor composition and Sharia-governance requirements.

Regional development priorities

The final question asked which initiatives would most effectively support ETF and REIT development across Arab capital markets. Regional ETF guidelines, investor education programmes and capacity building for issuers, brokers and regulators led the recommendations, each selected by nine exchanges, followed by regional REIT guidelines in eight.

Six respondents supported a cross-listing or passporting framework, a regional market-maker incentive framework and a regional ETF and REIT working group.

Five selected common terminology, regional index development, Sharia-compliant standards and tax or legal structuring improvements.

Regional recommendation	Exchanges selecting the recommendation
Regional ETF guidelines	ADX; ASE; CSE; DFM; EGX; ISX; MSX; PEX; Tadawul
Investor-education programmes	ADX; ASE; BHB; DFM; BK; MSX; QSE; Tadawul; TSE
Capacity building for issuers, brokers and regulators	ASE; BHB; DFM; EGX; MSX; PEX; QSE; Tadawul; TSE
Regional REIT guidelines	ASE; CSE; DFM; EGX; ISX; MSX; PEX; Tadawul
Cross-listing or passporting framework	ADX; DFM; EGX; ISX; MSX; Tadawul
Market-maker incentive framework	ASE; BHB; DFM; MSX; QSE; Tadawul
Regional working group on ETFs and REITs	BHB; DFM; EGX; BK; MSX; Tadawul
Common ETF terminology and definitions	ASE; DFM; BK; MSX; Tadawul
Regional index development	BHB; DFM; EGX; MSX; Tadawul
Sharia-compliant ETF and REIT standards	ADX; BHB; DFM; MSX; Tadawul
Tax and legal structuring improvements	ASE; DFM; MSX; Tadawul; TSE
Harmonised listing and disclosure standards	DFM; BK; MSX; Tadawul

These priorities combine market-level capacity building with regional coordination. The leading recommendations emphasise practical foundations: clear guidelines, capable institutions, informed investors and stronger product-development capacity.

Support for working arrangements, passporting, common terminology and regional indices indicates interest in moving beyond isolated national initiatives.



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Roadmap

▶ Regional ETF and REIT guidelines

Separate regional guidelines should reflect the different structures, operating models and risks of ETFs and REITs, providing a common reference without replacing national regulation.

ETF guidelines should address product definitions, eligible assets, manager responsibilities, benchmarks, authorised participants, creation and redemption, NAV, disclosure, market making and settlement.

REIT guidelines should cover eligible properties, sponsor and manager responsibilities, independent valuation, distributions, leverage, related-party transactions, governance, custody and property-level disclosure.

The guidelines should distinguish minimum requirements from provisions for more advanced or complex structures, allowing application according to market readiness.



▶ Harmonised terminology, listing and disclosure

Common definitions for ETFs, REITs, authorised participants, market makers, NAV, indicative NAV, tracking difference, distribution yield and related-party transactions would facilitate product comparison and cross-border recognition.

Comparable disclosure checklists should cover holdings, benchmarks, tracking, costs and liquidity for ETFs, and portfolio composition, valuation, income, distributions and leverage for REITs.

Market-maker and issuer incentive frameworks

Model market-making principles should cover spreads, quote sizes, market presence and performance monitoring.

Exchanges may offer performance-linked fee rebates or other incentives, while issuer support may include streamlined approvals, reduced listing fees and technical guidance.

Seed capital and cornerstone investment may help products achieve initial scale, provided ownership concentration does not restrict public float or secondary-market trading.

Regional indices and Sharia-compliant standards

Regional indices could support ETFs covering Arab equities, sukuk, sectors or investment themes. Methodologies should address liquidity, free float, foreign ownership, currencies, market accessibility, trading calendars and rebalancing.

Exchanges and index providers should develop investable benchmarks responding to genuine demand.

Common minimum principles for Sharia-compliant ETFs and REITs could support investor confidence and cross-border distribution. These could cover screening, supervision, review, purification and disclosure while allowing different Sharia interpretations.

Investor education and institutional capacity building

Regulators, exchanges, issuers and industry associations should provide accessible materials on ETF and REIT structures, benefits, costs and risks, tailored to retail, intermediary and institutional audiences.

Capacity building should cover regulators, exchanges, issuers, market makers, custodians, trustees and valuers, focusing on product approval, creation and redemption, valuation, liquidity, disclosure and cross-border distribution.

Cross-listing and passporting framework

Regional passporting should develop progressively, beginning with common definitions, minimum disclosure principles and information sharing, followed by bilateral recognition or pilot cross-listing between compatible markets.

Initial pilots should involve transparent products with liquid underlying assets, clear governance and adequate investor protection.

National authorities should retain product authorisation and supervision, with clear allocation of responsibilities between home and distribution or cross-listing jurisdictions.

Operational compatibility should be tested before implementation, including trading calendars, currencies, settlement, custody, corporate actions, taxation and market makers' ability to transfer or hedge positions.

▶ Phased implementation roadmap

The proposed roadmap consists of three phases:

Phase	Indicative period	Principal priorities
Phase I: foundations	0–18 months	Agree common terminology; prepare ETF and REIT guidelines and disclosure checklists; assess national legal, tax and infrastructure gaps; strengthen investor education and institutional capacity
Phase II: market activation	18–36 months	Build issuer pipelines; introduce market-maker principles and incentives; develop domestic and regional indices; improve valuation and product data; support initial listings where frameworks exist
Phase III: regional expansion	36–60 months	Pilot cross-listing and mutual recognition; introduce suitable regional products; compare market-quality indicators; expand passporting where regulatory compatibility permits

Sequencing should remain flexible and reflect readiness. Markets with products may advance to diversification and regional distribution, while those without frameworks may first establish legal definitions and institutional responsibilities.

▶ Roles of principal stakeholders

Stakeholder	Principal responsibilities
Regulators	Set product rules; license managers and providers; approve products; oversee disclosure, governance and investor protection
Exchanges	Set listing rules; assess readiness; monitor trading and market makers; support indices, issuers, education and distribution
CSDs and clearing institutions	Provide custody and settlement; facilitate creation and redemption; manage post-trade and operational risks
Issuers and managers	Design viable products; appoint qualified providers; manage assets; maintain valuation, disclosure and compliance
Authorised participants and market makers	Support creation, redemption, price alignment and secondary-market liquidity
Index providers	Develop investable benchmarks with reliable calculation and governance
Trustees, custodians and valuers	Safeguard assets, support oversight and provide independent valuation
Brokers and distributors	Provide access, balanced product information and staff training
Institutional investors	Support initial scale and contribute to sustainable secondary-market demand

Effective implementation requires clear responsibilities and national coordination among these stakeholders.

► Performance indicators

A limited set of indicators should assess whether the roadmap delivers market development beyond formal regulatory compliance.

Area	Suggested indicators
Framework development	Number of markets introducing or updating ETF and REIT rules; incorporation of common regional principles
Product availability	Number of ETFs and REITs; range of product categories; new listings and closures
Market scale	ETF assets under management; REIT market capitalisation; public float
Liquidity	Turnover; bid–ask spreads; trading frequency; market-maker compliance
ETF efficiency	Premiums and discounts; tracking difference; creation and redemption activity
REIT quality	Occupancy; distribution coverage; leverage; valuation frequency
Investor participation	Number and composition of investors; institutional and foreign participation
Regional integration	Cross-listed products; mutual-recognition arrangements; regional indices and passporting pilots
Capacity development	Number of training programmes, participants and institutions represented

Indicators should reflect market size and development stage. The objective is not to rank exchanges on a uniform scale, but to measure each market's progress from its starting position against its stated priorities.



Conclusion

▶ Main conclusions

ETFs and REITs can deepen Arab capital markets by broadening product availability and access to diversified investments, while supporting liquidity, institutional participation, passive investment, Sharia-compliant finance and regional connectivity.

Eight of the 13 participating exchanges reported listings in at least one category, while several others have enabling frameworks or are considering their introduction. Progress nevertheless remains uneven, and regulatory permission has not always produced issuance or sustainable trading.

The constraints extend beyond regulation. Limited issuer capacity, shortages of eligible assets, weak market-making support, low secondary-market liquidity, insufficient incentives and limited investor awareness reinforce one another, requiring an ecosystem-based response.



▶ Market-level recommendations

Each market should assess its readiness. Those without frameworks should establish clear legal definitions, institutional responsibilities and minimum investor-protection requirements. Those with enabling regulations but no listings should focus on commercially viable issuers, managers, products and distribution channels.

The product approval process should assess commercial and operational viability alongside legal compliance, including the readiness of underlying assets, service providers, liquidity arrangements and disclosure.

Investor education and distribution should begin before launch. Intermediaries must be able to explain product structures and risks, while issuers need credible plans for initial scale, investor outreach and continuing market support.

▶ Regional recommendations

Regional cooperation should initially pursue practical compatibility rather than complete regulatory harmonisation. Common terminology, ETF and REIT guidelines, disclosure principles and market-maker standards can provide a foundation for deeper integration.

Cross-listing and passporting should progress as regulatory and operational compatibility improves, supported by technical cooperation that helps less-developed markets build the necessary capacity.

Regional initiatives should complement national market development while reflecting differences in legal frameworks, market structures and institutional readiness.



▶ The way forward

Arab capital markets should prioritise product quality and sustainability over the number of listings.

Development should proceed in phases: establishing clear frameworks and qualified institutions; activating viable domestic products and strengthening liquidity and participation; then expanding product diversity and pursuing cross-border distribution where compatibility permits.

The long-term opportunity is an interconnected regional market offering access to domestic and regional equity, sukuk, Sharia-compliant and real estate products through credible exchange-traded structures.

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