THE NETWORK FORUM MIDDLE EAST

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Message from Doha

A month after The Network Forum (TNF) Americas Meeting wrapped up in New York, the event pitched up in Qatar for its Middle East leg.

Taking place amidst the US Presidential election – and also a Qatari referendum on constitutional reform – TNF tackled a number of critical issues facing the region.

But what were the main talking points?

T+1 – thanks, but no thanks

Six months have elapsed since North America went live with T+1, and more markets, especially in Europe, are likely to follow.

In fact, Swift reckons that 70% of the flows on its network will be settling on T+1 by 2030.

Although experts in the Middle East are all too familiar with the benefits of shorter settlement cycles, appetite for T+1 is muted.

This is mainly because several markets in the region, including the host Qatar, have only just adopted T+2.

Whereas the US is a homogenous market and the EU has a degree of post-trade harmonisation, this is not the case in the GCC, making it highly unlikely that T+1 – should it ever be implemented – will be done simultaneously across the region.

Such fragmentation would create problems for investors with GCC-wide exposures.

The Network Manager view….

Network managers were full of praise at TNF for the Middle East's reform zeal.

A decade ago, Saudi Arabia had no independent custody model, operated on a T+0 settlement cycle (i.e. pre-funded) and its domestic securities market was only accessible through complex swap arrangements.

Today, the market is very different. Not only is Saudi Arabia relatively open to investors, but it has developed a robust custody model, adopted T+2 and established a CCP, to name just a few achievements.

Equally, the decision by some GCC markets to change their working week patterns from Sunday to Thursday to Monday to Friday was also commended.

However, there was criticism from some network managers about the increasing amount of reverse KYC being conducted by sub-custodians on globals, often at the behest of local regulators. In some instances, executives at globals have been forced to hand over copies of their passports to satisfy KYC demands, which has led to concerns about privacy and data security.

Digital assets gather momentum in the GCC

Digital assets featured prominently at TNF Middle East.

This comes as a recent EY study found that 94% of institutional investors and 83% of retail investors said they are long-term believers in digital assets.

Experts noted that attitudes among custodians towards digital assets have softened , evidenced by the number of providers now offering digital asset custody solutions.

The GCC is widely considered to be an industry leader on DLT and digital assets, with the UAE – especially Dubai – positioning itself as a digital asset hub.

In order to attract more institutional activity, Dubai has developed its own regulatory agency – the Virtual Assets Regulatory Authority (VARA) – to oversee digital asset trading.

More GCC markets will likely follow Dubai's lead here.

Attracting more liquidity

Connectivity and liquidity in the Middle East are being further accelerated by Tabadul, a digital exchange providing mutual market access between participatory members, including Abu Dhabi Securities Exchange, Bahrain Bourse, Muscat Stock Exchange and Astana International Exchange.

During TNF, it was announced that the Amman Stock Exchange in Jordan would become the latest member of Tabadul, and it is expected to join later this month. Other markets in the region are likely to join Tabadul in due course.