



THE NETWORK FORUM MIDDLE EAST

9-10 OCTOBER 2023 MUSCAT

Message from Muscat

Coinciding with the EU-Gulf Co-operation Council (GCC) summit, The Network Forum (TNF) Middle East Meeting took place – amid tight security – at the Al-Bustan Palace Hotel in Muscat.

But what were the main talking points from TNF?

The good times roll, but will they last?

GCC economies are thriving off the back of surging oil prices and low inflation.

Although GCC markets are in an enviable position (at least relative to those in the west), their governments are not being complacent, with many looking for new and innovative ways to diversify their economies beyond commodities.

Qatar - still riding high after hosting a successful World Cup – is trying to grow its tourism industry even more, as is Saudi Arabia, which is attempting to become the region's premier entertainment and sporting fixture hub.

While people are bullish in public about the Middle East's growth potential, dark clouds are starting to circle on the horizon.

With TNF taking place just days after Hamas' assault on Israel and the escalating crisis unfolding, several delegates privately shared their fears about the crisis deteriorating further.

Reforms continue to make headway

GCC economies have been reforming their capital markets for a long time now, which has helped drive up liquidity.

In addition to developing new financial products and instruments (i.e. short-selling, securities lending and borrowing), a number of countries have launched financial market infrastructures, including CCPs, in line with international best practices.

Other positive developments include the launch of Tabadul, a cross-border investment scheme between Abu Dhabi, Bahrain, Oman and most recently Kazakhstan, while more markets are expected to join in the near future.

However, challenges remain around market access.

The absence of a cross-border national investor number (NIN) when opening up accounts in the GCC is a recurrent pain for network managers, and one that local regulators should really try and fix.

A brief word on T+1

With North America about to adopt T+1, market participants in the GCC recognise that they need to automate their systems if they are to weather the impact of shorter settlement cycles.

As with everywhere else in the world, GCC financial institutions are concerned about how little time they will now have to resolve issues that happen during the post-trade process, which could result in trade fails increasing in frequency.

One speaker urged the industry to adopt the Unique Transaction Identifier (UTI), a transparency tool which helps counterparties identify issues during the transaction process, allowing them to fix problems before they turn into fully blown trade fails.

This will enable firms to improve their settlement discipline ahead of T+1.

The GCC's digital journey continues

Conversations about disruptive technologies featured extensively at TNF.

Although ASX failed to replace its CHES system with Blockchain, the industry is not giving up on the technology. While Blockchain has potential, it will not be realised unless there is interoperability between the different systems, and this requires industry-wide cooperation and testing.

Efforts to drive up interest in digital assets are still ongoing.

While there is some liquidity in the unregulated crypto-currency market, security tokens remain very thinly traded. Even so, this is not preventing custodians and FMIs from developing digital asset solutions, in the hope that liquidity in these assets may one day emerge.

Within the GCC itself, the audience heard that Dubai is perhaps the most advanced market in the region in terms of its regulation of digital assets - following its introduction of the Regulation of Virtual Assets law.

Meanwhile, other markets, including Oman, are reportedly consulting on digital asset regulation.

ESG makes a splash in the GCC

While Europe may be a leader on ESG, the issue is a hot topic in the Middle East too.

Markets including Saudi Arabia, the UAE, Kuwait and Oman are all making sustainability a key pillar in their development efforts.

Arguably, the GCC markets – given their historic track record of supporting Islamic Sukuks – are in an excellent position to cement themselves as ESG financial centres.

TNF Americas will take place in New York on October 19, before heading out to Mumbai for the Asia Meeting on November 6 and 7.