

Capital Markets

Commercial banks lead in terms of market capitalisation

Most diversified bond maturity spectrum in the GCC

Sustained development of regulations a strategic priority

Rising demand for Bahraini bonds as an asset class





واحة الفرص الإستثمارية
An Oasis of Investment Opportunities



Sheikh Khalifa bin Ebrahim Al Khalifa, CEO, Bahrain Bourse

Growth and liquidity

Sheikh Khalifa bin Ebrahim Al Khalifa, CEO, Bahrain Bourse, on increasing market breadth and widening participation

What is being done to diversify the mix of companies on the bourse beyond financial services?

SHEIKH KHALIFA: Just because we want to increase exposure to new sectors does not mean we are chasing companies and trying to convince them to list. Entities need to analyse their own situation and see whether going public is the right step for them. Initial public offerings (IPOs) come with responsibilities that companies need to meet, and it is imperative for them to choose the right moment for listing.

Having said that, we did amend the legal framework to allow more companies to list. There are quite a few IPOs in the pipeline but our focus remains on increasing the market breadth in terms of our product offerings. We have been an equities exchange for over two decades now, but since the latest strategy was set the aim has been to transform Bahrain Bourse and increase its market breadth. We now have real estate investment trusts (REITs), increasing the representation of real estate, although not on the equity side. It is worth bearing in mind that the local investor will always choose real estate as a preferred investment above anything else. In addition, we also entered fixed income and have recently launched the Bahrain Investment Market, an innovative equity market designed to meet the needs of companies seeking growth capital.

How do you envisage the REIT asset class growing as an alternative for investors?

SHEIKH KHALIFA: REITs are the future of real estate in the GCC, there is no doubt about it. And it is not just us, other regional stock exchanges have introduced similar structures as well. Right now there is not a single platform that regulates the property market and makes sure you get a fair value for your investment; REIT fits well in that landscape.

Both institutional and private investors in the GCC are keen on real estate investing and therefore

it makes sense to regulate the sector through the capital markets. Moreover, REITs also benefit the broader real estate market by reflecting fair prices around the listed property.

Are any major regulatory changes aimed at increasing liquidity expected in the near future?

SHEIKH KHALIFA: In the short term, short-selling will definitely help enhance liquidity. Collateral management will also ease the process of margin trading which was, up until now, done at a banking level. I think these are the two most important measures in order to increase liquidity.

On the sell side, the breadth of the market will also be extended to include mutual funds, which will be added to the existing fixed income, *sukuk* (Islamic bonds), equities, Bahrain Investment Market and REITs. On the buy side, we are focusing on accessibility. We want international investors to have enhanced access to market information.

What more can be done to further encourage foreign participation in the market?

SHEIKH KHALIFA: In Bahrain we work within an aligned strategy – whether it be the Bahrain Bourse, the Ministry of Industry, Commerce and Tourism or the Economic Development Board – and that makes a significant difference. We allow 100% foreign ownership by law, rather than on an exceptional basis like in most of the GCC. I think this is a key factor: Bahrain is a free zone in itself. The Bahrain Bourse is also a multicurrency exchange.

On top of this, we embrace the latest technology and we are moving to provide more accessibility. In terms of the regulatory framework, we are already far ahead. Moreover, we have around 100 different nationalities represented in the exchange and foreign investors are able to contribute more than 35% of the total, which is the highest in the region.