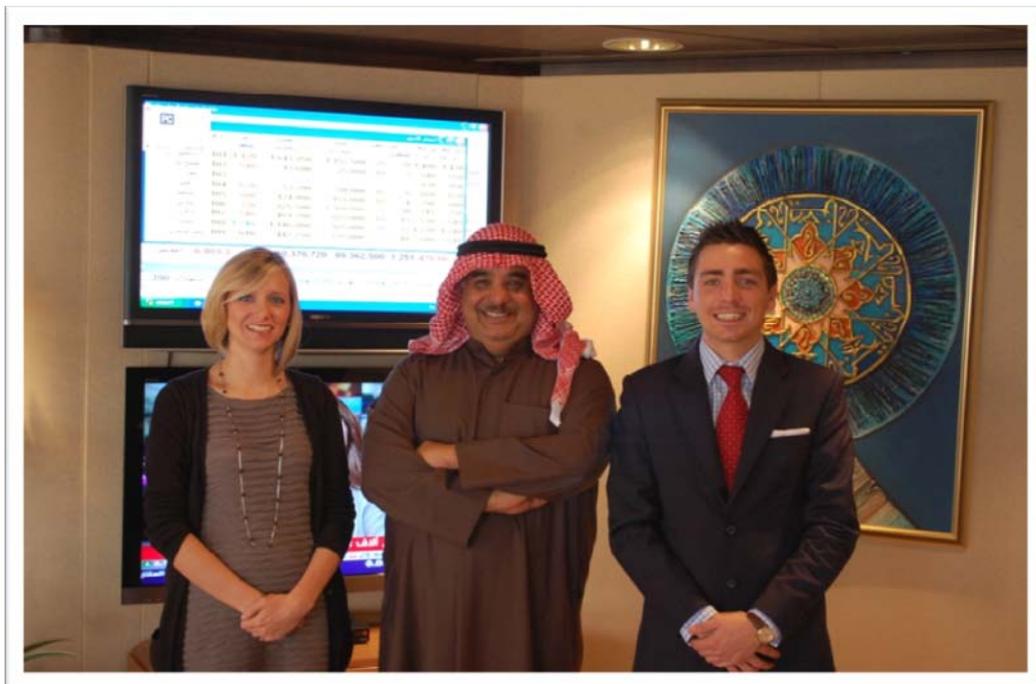


## **An IFC Reports Interview with**

# **Mr. Hamed Saleh Al-Saif, Director General, Kuwait Stock Exchange**

**On the  
1st February 2011**

## **For our special report on Kuwait**



**IFC REPORTS: I would like to start off by discussing with you His Highness the Emir's vision, which is for Kuwait to become a leader in financial and commercial services, which is finally being manifested through the approval of the Development Plan last year. Can you please outline how the KSE will fit into the success of this development plan?**

**MR. HAMED SALEH AL-SAIF:** This is the first time Kuwait has had a 5 year development plan supported by law, and this is important. Kuwait is going to spend US\$125 billion and that is a huge amount of money. It will be used to develop new infrastructure such as bridges and new cities. It will modernise the country and this will affect the Stock Exchange a great deal. Industrial, real estate and service companies will be involved in this project either directly or indirectly and that will be immediately reflected in the Kuwait Stock Exchange (KSE). Importantly foreign investors can also get involved in this huge 5 year spending drive, which in turn will also be reflected in the KSE.

I have attended many meetings regarding the plan and we think it is a very interesting and ambitious plan that will positively affect us in the future. Foreign investors will be able to share this development through the KSE or through direct involvement in projects.

**IFC REPORTS: As well as the development plan, there are many new laws including the privatisation law and the capital markets law, which was introduced in February last year. Looking at the Capital Markets Law, I understand that the Bill was first proposed by the Ministry of Commerce and later on the Kuwait Stock Exchange Committee undertook its own report and recommendations, as well as the Investment Companies Union, until eventually a final Bill was synergised. In your opinion, what changes and impact will this new law will have on investment here in Kuwait?**

**MR. HAMED SALEH AL-SAIF:** We are still a little bit behind in this area. The law will change many things, although it has not been developed very well and I think this should be changed, because otherwise the private sector will never work with that law. I think the Government is thinking of changing the law because they want to be more flexible and directed towards foreign investors so they can share their technology in Kuwait. This is important. There will be a lot of changes this year. The Amir wants Kuwait to be a business and commercial hub for this region, and everyone is working on this.

**IFC REPORTS: I understand that you are trying to create a secondary market and over-the-counter trading here at the KSE?**

**MR. HAMED SALEH AL-SAIF:** We are currently working with the KSE Committee to produce a one year plan. We will be discussing this with the Committee next week and that will add a lot of value to the Kuwait Stock Exchange. Derivatives will be implemented and we will look at liquidity in the market to make it easier than before. We have to divide the market into A, B, C and D to have a healthy main market. All companies in Kuwait should be introduced to this kind of market and this will enable people to trade in different markets. The Stock Exchange is responsible for providing support to traders in the market (both foreign and local investors) and for all information to be clear and straightforward. We have a new NASDAQ automation system so that the program is up to international standards. Sometimes there are different companies with different strengths, so we are trying to assist both foreign and local investors. I think the international standards will bring good Arab companies from the Gulf here. We are also going to introduce a tradable index and this will be very important for foreign investors

because they cannot go and check each individual stock to enter this kind of market, so we are going to develop a tradable index of 15 stocks which have been chosen by NASDAQ OMX. They will be reviewed every 6 months. This is very advanced, controlled and flexible and it will help foreign investors enter the market.

**IFC REPORTS: The KSE was established in 1962 and it is one of the oldest and largest stock exchanges in the Gulf. Foreign participation was introduced in the year 2000 and KSE currently has a market capitalisation of around 30 billion (\$100bn USD) with 200+ listed companies. I'd also like to make reference to the Capital Markets law implemented last year which aims to increase investor confidence amongst local and foreign investors. With that in mind, what plans do you have for the KSE over the next 4 years?**

**MR. HAMED SALEH AL-SAIF:** Our plan covers everything. We are reviewing what we have here already and we have many programs to be implemented. For example, we are motivating our staff and have programs such as the 'Golden Exit' for people who have spent over 20 years here and we also give other employees the opportunity to take part in special programs in a local institution so they can help support KSE's future plan. This is very important to us and it will help us grow in the future and bring it up to international standards.

We also have to market the Kuwait Stock Exchange, as well as implement new markets, such as derivatives which we are working on, as all this will help us to market the Stock Exchange in the Gulf area. That will help us with the new regulation. Before, there was a delay and lack of efficiency in the Stock Exchange as it had two hats, one as the regulator and the other as the management—and that is not good. But with the new law and the new regulator, they will watch the market closely and ensure it is up to international standards.

Some companies have had problems submitting reports; others have had large losses between their shareholder equity and their original capital, so we can now deal with them differently. This will give the management and shareholders a warning so that they should watch their management. When you downgrade some companies, the shareholders will immediately ask why they are being downgraded, so they should talk to the management.

As I said, there was a lot of confusion having the regulator and the management together. But now we are doing well putting companies in the right position and watching them carefully. The main market will be clean and clear, and everyone will enter. The index will be clear and more reliable as well.

**IFC REPORTS: I understand that a year after the Capital Markets Authority is fully operational, the KSE will be privatised. Can you discuss the impact this will have?**

**MR. HAMED SALEH AL-SAIF:** I think this will make the KSE more flexible because it will be free from the Government's hands. Private management always makes things more flexible. It will be easier to communicate with foreign and local investors as well. When stock exchanges become private, they depend on their own revenues and they make losses and gains. If you want to succeed you have to make money and expand the business and make a lot of revenue. You are also in the spotlight so you have to provide a good level of service and management.

**IFC REPORTS: Taking the interview to a more personal level, you have gained a great deal of experience and knowledge during your fruitful career in both the private and public**

**sector. As the newly-appointed Director General of KSE, what do you aim to bring to your new role?**

**MR. HAMED SALEH AL-SAIF:** That is a very good question. When you are a user and you are watching the Stock Exchange you sometimes struggle to introduce products. I am in contact with the brokers and the investment companies and I tell them that without them and if the main players do not work together, then there would not be a Stock Exchange. If everyone develops what they need to, we all win. I think everyone gets the message. We are all in the same boat and we have to work together. We are working towards the future.

**IFC REPORTS:** I wish you every success with that. Lastly, considering we will be publishing our report on the 19th June which is the true anniversary of Kuwait's independence, what final message or statement would you like to send to our American readers about Kuwait or the KSE itself?

**MR. HAMED SALEH AL-SAIF:** Everyone is thinking about Kuwait and we have an energy which is important for the future of Kuwait. We need Kuwait to be a business and commercial hub for the region and there is no reason why we cannot. Kuwait is in a good location between Iraq, Saudi Arabia and Iran. There is no road from Iraq to any other country in the Gulf apart from through Kuwait. Iran is also very close to Kuwait commercially. We are in a unique position.

Kuwait also has a large middle class and many people are studying at university. They say that 90% of Kuwaitis are middle class and they are sharing the wealth. Since we discovered oil in Kuwait, the Royal Family has been very generous to the people and they are distributing wealth and building houses. Kuwait is in a unique position – you cannot find a middle class over 10% anywhere else in the Gulf, even in Saudi Arabia. When the middle class people meet foreign investors, they can create a lot of things in the future. We think that this year with the new development plan and the changes in the Stock Exchange, in two to three years Kuwait will be different.

**IFC REPORTS:** Thank you very much for your time.