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# vantage


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H2 - 2024

## Navigating shifting dynamics regionally and globally

Investor's
vantage
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# Your vantage

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Our goal is to continue to empower clients with the tools and insights needed to understand market tends and achieve their financial objectives and aspirations.

You remain at the center of all our operations, our Markaz.

***Through the newsletter, you will gain direct access to their insights, allowing you to benefit from their expertise and stay ahead of market developments through the in-depth analyses and market trends***

# Transferring personal information between banks and investment companies: a promising future

By: Ahmed Al Farsi, Assistant Vice President - Wealth Management & Business Development

**Transferring personal information between banks and investment companies has become a focal point in the evolution of the financial sector. With the increasing adoption of financial technology (Fintech), processes that once required extensive time and effort are becoming significantly more streamlined and efficient. This article explores how technology can simplify the transfer of personal data between financial institutions, supported by engaging examples and evidence of transformative changes.**

### Streamlining data transfers between banks

One of the major challenges customers face is the process of transferring personal data between banks. Today, with the advancement of digital banking systems, this process is becoming more seamless through the creation of centralized databases and interconnected networks managed by central banks. For example:

- **Digital banking networks:** Digital networks connected to central banks enable the secure sharing of customer data between different financial institutions. A new bank can access a customer's financial history and creditworthiness through a centralized database, eliminating the need for redundant document submissions such as identity verification and financial records.

  Example In many countries, systems like the "Credit Bureau" store customers' financial data and provide it to banks to assess creditworthiness.
- **Security and encryption:** Technologies such as block chain ensure the security of data transfers. Records are stored in a decentralized and encrypted manner, making them highly resistant to tampering or unauthorized access.

### Transferring data between investment companies

Investment companies face similar challenges in simplifying the transfer of customer data, such as re-filling "Know Your Customer" (KYC) forms when opening a new account. Here, fintech plays a pivotal role:

- **Digital identity management systems:** These systems store customer data—such as identity, address, and financial history—in an encrypted, centralized platform. When a customer wishes to switch to a new investment company, their data can be transferred with their consent, avoiding repetitive submissions.

  Example In India, the Aadhaar system enables the sharing of individuals' digital identities across financial institutions, simplifying account openings and other services.
- **Digital signatures:** Digital signatures allow customers to approve the transfer of their data between companies securely and quickly, reducing reliance on traditional paperwork.

### Benefits of simplified data transfers

1. **Time and effort savings:** Customers no longer need to resubmit the same information when transitioning between banks or investment companies.
2. **Enhanced customer experience:** Processes are smoother, with reduced friction between customers and financial institutions.
3. **Increased security:** Advanced technologies minimize the risk of data breaches during transfers.
4. **Operational efficiency:** Financial institutions benefit from lower costs associated with manual processes.

### Challenges and solutions

While these developments are promising, they come with challenges:

- **Cybersecurity:** Significant investments in robust security measures are required to prevent breaches.
- **Regulatory frameworks:** Countries need to establish legal frameworks that support data sharing while safeguarding customer privacy.

### Conclusion

Fintech promises to revolutionize how personal data is transferred between banks and investment companies. With technologies such as block chain, digital identity management, and electronic signatures, customers can enjoy a faster and more secure processes. In the near future, customers may no longer need to resubmit their data, enhancing efficiency and improving the overall user experience.

# The evolution of private credit and its role in asset allocation

By: Shamlan AlBahar, Analyst, Investment Advisory

**Private credit has emerged as one of the fastest-growing segments in the investment landscape. Ever since the financial crisis in 2008, traditional banks significantly reduced their lending because of tighter regulations and capital requirements. It created a gap in the market that was filled by private credit offering flexible and tailored financing to businesses. With faster approvals and customized terms, private credit became a key financing source. It also turned into one of the most dynamic asset classes in institutional investors' portfolios.**

By 2024, assets under management (AUM) in private credit had reached over US$1.5 trillion, highlighting just how reliable it had become in diversified investment strategies. Looking ahead to 2025, the outlook for private credit remains strong, with robust demand for non-bank financing and the need for better yields and stability by institutional investors.

In the last twenty years, private credit has seen phenomenal growth, with annualized increases in AUM ranging between 8% and 10%. From US$400 billion in 2010, the sector grew well beyond US$1.5 trillion in 2024. Inextricably linked with the rise of private credit is middle-market lending. Growth has been indicative of active investor interest in private credit, especially because it could generate higher yields while affording flexible solutions tailored toward borrowers' needs.

By mid-2024, the yield spread between private and public credit stood at 2.86% below the long-term average, given the increased competition. However, direct lending is still attractive as higher interest rates and borrower demand continue to support the asset class. Private credit has also captured substantial capital inflows from institutional investors including pensions and endowments, which allocated over US$117 billion to private debt, outperforming the 7.67% five- year average institutional total fund index.

***By 2024, AUMs in private credit had reached over US$1.5 trillion, highlighting just how reliable it had become in diversified investment strategies. Looking ahead to 2025, the outlook for private credit remains strong***

### Private credit revenue growth

The private credit segment has steadily generated distributions. On average, it has delivered distributions of 8% annually from 2015 to 2024. Revenue for the sectors in 2023 reached US$117 billion, whereas an estimate earlier put total market opportunities at US$2.1 trillion. The dry powder-capital available but not deployed-reached US$500 billion as of December 2023 against US$335 billion recorded the previous September. This means strong investor appetite but slower deployment, with limited high-quality lending opportunities. The very speed of that growth in fundraising—especially in the biggest category of direct lending-has brought heightened competition among lenders and pushed some to grant looser underwriting standards and yield spreads.

### Why private credit makes sense in asset allocation

Private credit plays a crucial role in portfolio diversification and risk-adjusted return optimization. Private credit consistently delivers a higher yield premium compared to traditional fixed-income investment alternatives include private loans that, due to their illiquidity and custom structures, can provide investors with added returns that are just not possible with public bonds or any other form of debt instrument. Indeed, private credit has survived the increasing competition and compression of spreads by providing a more attractive income generation in specific interest rate environments. In private credit, floating-rate structures ensure that investors can benefit from increasing rates by shielding them from inflationary erosion of returns.

# Why AI will never replace human wealth managers

By: Noor Al Jeraisy, Assistant Officer, Wealth Management & Business Development

**Artificial intelligence (AI) has made significant progress in the financial world, from robo-advisors offering automated investment advice to AI tools helping with portfolio management. But despite these advancements, AI will never fully replace human wealth managers in building and preserving wealth. The core of wealth management lies in relationships built on trust, empathy, and personalized insights—qualities that AI simply can't replicate.**

### 1 The human touch: empathy and trust

At the heart of wealth management is the relationship between the advisor and the client. Wealth managers don't just manage portfolios—they offer support, understanding, and empathy. Financial decisions are often deeply personal and emotional, shaped by individual goals and circumstances. A good wealth manager offers guidance through these challenges, adapting strategies and providing reassurance in tough times. AI can analyze data, but it can't offer the same emotional connection or adjust to personal nuances.

### 2 Expertise in complex financial planning

Wealth management involves more than just investing—it includes estate planning, tax strategy, retirement preparation, and legacy planning. These areas require deep expertise and a nuanced understanding of both financial and legal landscapes. While AI can process data, it lacks the judgment and creativity needed to navigate complex situations.

***Wealth managers consider both the short and long-term implications of major life events and adjust strategies accordingly—something AI can't offer***

### 3 Adaptability in a changing world

The financial world is constantly changing, driven by shifting market conditions, government policies, and global events. Wealth managers can adjust strategies based on these changes, using their experience and intuition. AI may spot trends, but it can't foresee the impact of unexpected events like political instability, pandemics, or personal life changes. Wealth managers consider both the short and long-term implications of major life events and adjust strategies accordingly—something AI can't offer.

### 4 Navigating ethics and regulation

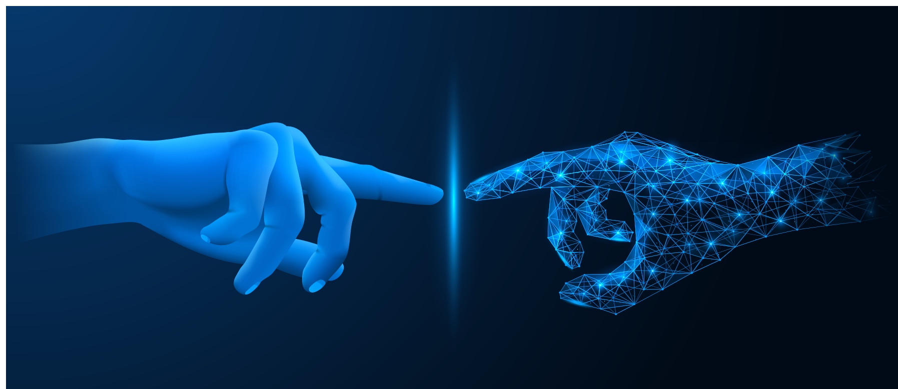
Wealth managers are responsible for ensuring their advice complies with complex regulations and ethical standards. While AI is efficient at analyzing data, it can't provide the human judgment necessary for ethical decision-making. Advisors are accountable for their actions and have a fiduciary duty to act in clients' best interest. AI tools, however, lack accountability and are limited by the data they've been given.

### 5 Personalization and long-term relationships

Every client has unique financial goals and life circumstances, and wealth management is about creating personalized strategies that evolve over time. A wealth manager works with clients for years, adjusting strategies as needs change—whether that's growing wealth early in a career or preserving assets in retirement. AI can suggest strategies based on data, but it can't offer the ongoing relationship and personalized advice that human advisors provide.

### 6 AI as a complement, not a replacement

Rather than replacing wealth managers, AI should be seen as a tool that enhances their work. By automating routine tasks like data analysis and portfolio rebalancing, AI allows wealth managers to focus on building relationships and making personalized recommendations. AI can support decision-making, but it's the wealth manager who interprets the data and applies it in a human context.



### Conclusion: the irreplaceable value of human wealth managers

AI is transforming wealth management, but it will never replace the human element. The ability to empathize with clients, understand their unique circumstances, and offer tailored advice is something only human wealth managers can provide. While AI can assist in managing the technical side of wealth, the personal relationship and trust built over time is what truly drives long-term success in wealth management.

# Residential journey for Kuwaitis

By: Mishal AlRefae, Analyst, MENA Real Estate

**Kuwait's housing market is especially challenging for young adults, particularly those starting or at the middle of their careers, due to rising land prices and limited availability.**

As of October 2024, there is a backlog of housing requests at the Public Authority for Housing Welfare (PAHW), leading to a wait of about 10 years for land or house allocation.

While apartments are available, they are in low demand, with many choosing to wait for better options due to the lack of regulations on homeowner associations.

Laws covering comprehensive mortgage rules need enhancement, which could then help in generating affordable housing alternatives.

In August 2024, the government passed legislation to help curb the housing issue in Kuwait by taxing undeveloped land and implementing laws like the Residential Cities Development Companies Law to increase the supply of land.

***As of October 2024, the pending requests at PAHW are around 100,000. This translates to a waiting period of around 10 years for a person to receive land or house***

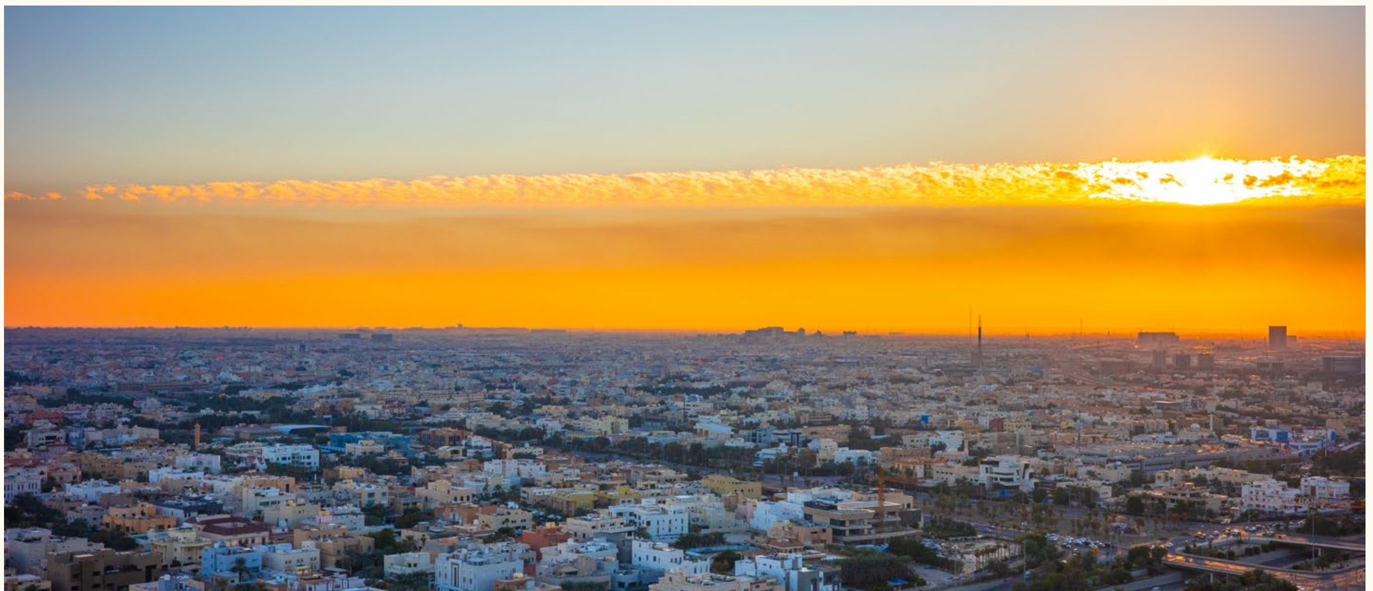
**Process of acquiring a house**

In Kuwait, newly married Kuwaiti couples are eligible for housing from the government. The government currently can give them different options to satisfy this obligation:

- **House built by the government:** Government houses have a standard configuration of Ground + 1 floor, built using commercial quality. Applicants are not allowed to modify their units. Government housing locations include mainly remote locations like: South Saad Al Abdullah, Mutlaa, South Sabah Al-Ahmed.
- **Apartments built by the government:** PAHW has built multiple apartment complexes, to the same standard as the government houses. Apartment complexes are in far areas like Jaber AlAhmed, and Northwest Sulaibikhat. Supply of apartments are plentiful but are in low demand due to the unregulated shared living situation in Kuwait, leading to issues like non-payment of maintenance fees, misuse of communal spaces, and subletting units.
- **Land plus 70,000 KWD interest free loan** plus subsidy of c. 25,000 KWD value for construction
- **Interest free loan of 70,000 KWD** for purchasing a house.

The option for getting land plus loan plus subsidy for construction is the most financially viable option, leading to a long queue. As of October 2024, the pending requests at PAHW are around 100,000. This translates to a waiting period of around 10 years for a person to receive land/a house. If someone waiting for their turn to receive land finds a suitable alternative, they are granted a 70,000 KWD interest free loan to assist in buying that land.

While waiting for their turn, young Kuwaiti couples rent apartments for 1-2 years until they receive accommodation from their parents. This could involve either building a new house for the couple or adding a floor to the family's house. Couples without family support must rent until PAHW provides them with a house, which can take up to 10 years. PAHW offers rent subsidies of 150 KWD per month for those waiting for housing. PAGE 8 ▶

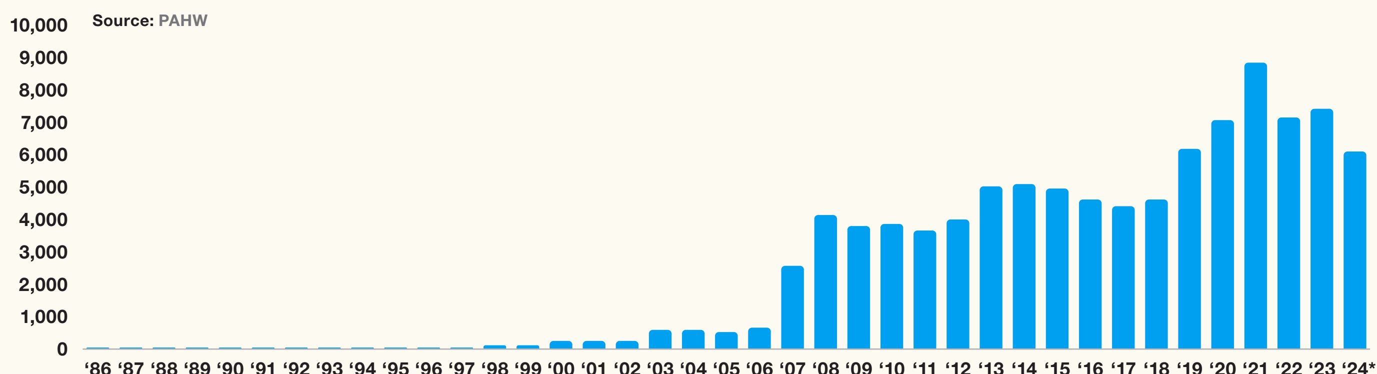


# Residential journey for Kuwaitis

Continued from pg 7

## # of active applications

Total active requests: 97,652




**Above is a graph detailing the current active applications, which date back to 1986, with people still waiting for their allocation. Once locations are offered to applicants, they have the right to skip their turn until a more suitable location is available to them. As of December 2024, new homes are being offered to couples that got married in 2007 and before.**

### How PAHW provides new units

Annually, PAHW receives 7 to 9 thousand new housing requests. There is a clear mismatch between new units provided by PAHW and the number of applications submitted. Upcoming supply like the Sabah Al Ahmed City provide roughly 10,000 units, which is still very far from fulfilling all requests. PAHW is unable to provide large quantities of units due to:

1. Lack of funding
2. Infrastructure
3. Limited Electrical and Water supply

The private residential market in Kuwait shows a stark contrast in prices between prime residential areas and more remote locations.

- **High demand, low supply:** Proximity to Kuwait City drives demand, as it is the economic, cultural, and social hub.
- **Limited land & zoning:** Restrictions in central areas increase competition, raising property prices.
- **Urban living benefits:** Prime locations offer access to luxury shopping malls, top schools, and healthcare facilities.
- **Willingness to pay premium:** Many residents prefer paying extra for the convenience and potential investment growth of living closer to the city.
- **Affordable housing in peripheries:** Despite affordable options on the outskirts, central locations remain more desirable.

## Building a house

| Construction quality | 400m² land: B (400 m²) + G+2 floors 960m² | | KWD/m² |
|---|---|---|---|
| | no basement | with basement | |
| Commercial | 130,000 | 175,000 | 325-438 |
| Quality | 165,000 | 225,000 | 413-563 |
| High end | 200,000 | 270,000 | 500-675 |
| Luxury | 260,000 | 345,000 | 650-863 |
| BUA | 960 m² | 1,360 m² | |

**Kuwait Municipality code allows for people to build 3 floors with a basement. The table below shows the approximate cost of building such houses with different quality standards.**

| Area | 400m² land: G+2 floors 960m² | | KWD |
|---|---|---|---|
| | Land value | Quality construction cost (no basement) | |
| Abdullah Al Salem | 849,200 | 165,000 | 1,014,200 |
| Salam | 520,400 | 165,000 | 685,400 |
| Fintas | 204,000 | 165,000 | 369,000 |
| Khiran | 145,200 | 165,000 | 310,200 |

**Total price of buying land and building a 3-floor house without a basement.**

| Construction quality | 400m² land: two floor house 640m² | | KWD/m² |
|---|---|---|---|
| | no basement | with basement | |
| Commercial | 95,000 | 145,000 | 238-363 |
| Quality | 120,000 | 180,000 | 300-450 |
| High end | 145,000 | 215,000 | 363-538 |
| Luxury | 190,000 | 280,000 | 475-700 |
| BUA | 640 m² | 1,040 m² | |

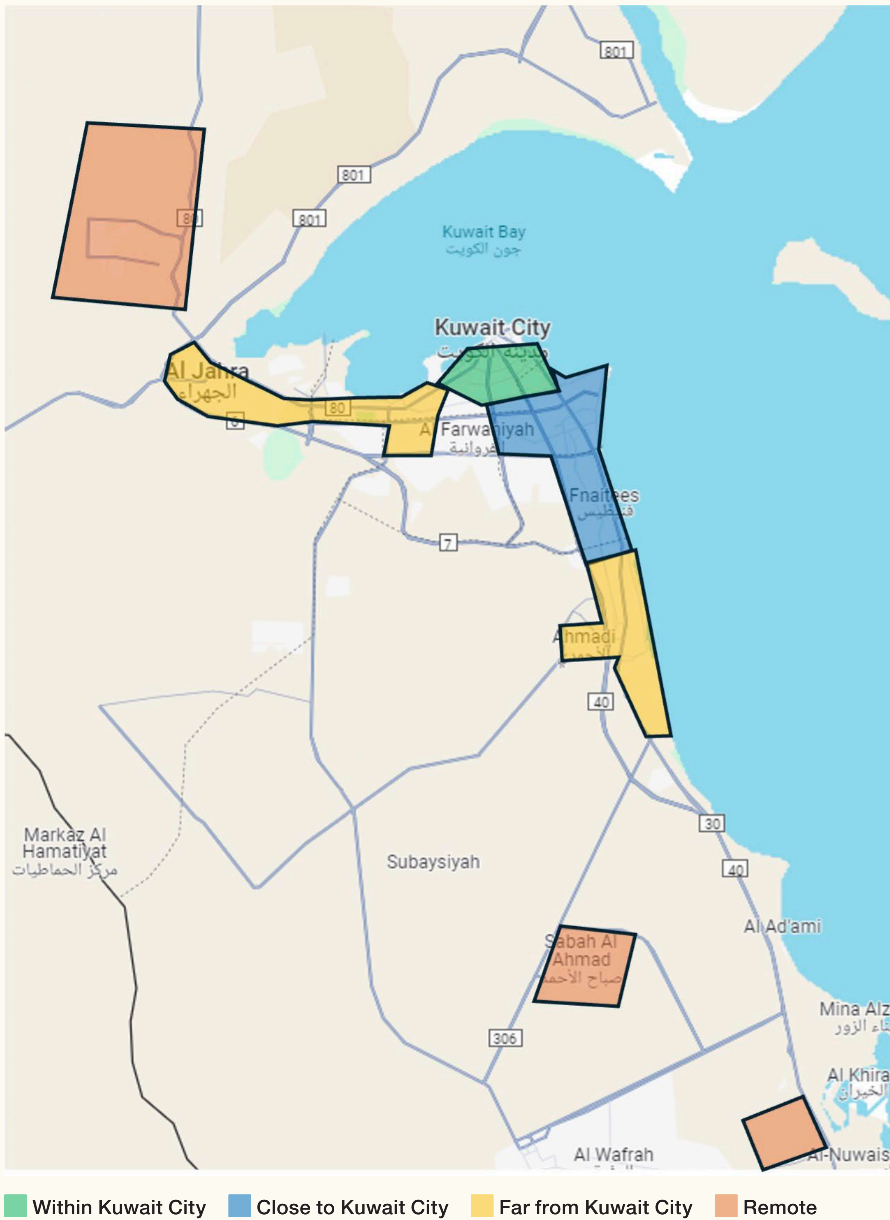
**To reduce cost, some resort to building a two-floor house, not utilizing the maximum allowed construction space.**

| Area | 400m² land: two floor house 640m² | | KWD |
|---|---|---|---|
| | Land value | Quality house cost (no basement) | |
| Abdullah Al Salem | 849,200 | 120,000 | 969,200 |
| Salam | 520,400 | 120,000 | 640,400 |
| Fintas | 204,000 | 120,000 | 324,000 |
| Khiran | 145,200 | 120,000 | 265,200 |

**Total prices of the land and a two-floor house.**

**Source:** Markaz Analysis

## Map of private residential areas




## Land prices vs distance

| Top 5 listings | Example Area | Commute to Kuwait City | 400m² land KWD | KWD/m² |
|---|---|---|---|---|
| **Within Kuwait City** | Abdullah Al Salem | 5 min | 849,200 | 2,123 |
| **Close to Kuwait City** | Salam | 15 min | 520,400 | 1,301 |
| **Far from Kuwait City** | Fintas | 25 min | 204,000 | 510 |
| **Remote** | Khiran | 45 min | 145,200 | 363 |

**Source:** KFH

***Prices for houses are still expensive for young Kuwaiti couples even when factoring in the 70,000 KWD loan. The minimum price for a house would be around 265,000 KWD, which is still expensive***

Prices for houses are still expensive for young Kuwaiti couples even when factoring in the 70,000 KWD loan. The minimum price for a house would be around 265,000 KWD, which is still expensive. Living in Khiran would also warrant a 45-minute drive to Kuwait City.

### Conclusion

The Kuwaiti housing market continues to grapple with challenges, including lengthy wait-times for government-provided housing, high land costs, and limited affordable options. One key possible solution lies in implementing homeowner association (HOA) laws, which would help regulate vertical and shared living options, but it remains unclear whether and when these regulations will be enacted. Meanwhile, the recently passed Residential Cities Development Companies Law marks a significant step forward by integrating the private sector into the housing market. This law facilitates private development of residential areas while clearly defining the relationship between developers and the government. Together, these measures could pave the way for more organized, efficient, and accessible housing solutions for Kuwaiti citizens.

# The impact of national strategic plans on IPO

By: May Al Marzouq, Analyst, Capital Markets

**Off late, Initial Public Offerings (IPOs) have become a central theme in the economic landscape of the Gulf Cooperation Council (GCC) region. These offerings are an excellent platform that provides companies with vital access to capital, showcase a thriving and transparent business environment, and last but not least, boost economic growth. In recent years, IPOs have been a key tool in the region's efforts to reduce dependence on oil and develop new sectors with private sector participation. The success of IPOs in the GCC is intricately linked to the strategic national plans and economic visions that each country has put in place. Key initiatives like Saudi Arabia's Vision 2030, the UAE's Vision 2031, and Qatar's National Vision 2030 shape the regulatory environment, drive private sector growth, and create opportunities for investment, thereby directly influencing capital market activities in the region.**

**Saudi Arabia's Vision 2030** is centered around growing industries such as technology, tourism, and entertainment. As part of the diversification and transformation journey, the Kingdom listed 1.5% of Saudi Aramco on the Saudi Stock Exchange (Tadawul) in 2019. This IPO not only raised an unprecedented amount of capital but also set a benchmark for future listings in Saudi Arabia, signaling its commitment to modernizing financial markets and attracting foreign investment. The Saudi Aramco IPO is the largest in history, raising $25.6 billion. In 2024, Saudi Aramco further solidified its position by offering an additional 0.64% of its shares, raising $11.2 billion. Additionally, Saudi Arabia introduced Nomu, a parallel market launched in 2017 to accommodate smaller companies that may not meet the main exchange's enhanced requirements. Nomu has made it easier for smaller enterprises to tap into public capital, contributing to an increase in the number of IPOs. As of 2024, 104 companies are listed on Nomu, and 24 companies were listed in the first 11 months of 2024.

**Qatar's Vision 2030** is a comprehensive roadmap that aims to transform

***In KSA, Nomu has made it easier for smaller enterprises to tap into capital. As of 2024, 104 companies are listed on Nomu, and 24 companies were listed in the first 11 months of 2024***

the country into a sustainable, knowledge-based economy. While the nation's wealth has long been driven by its vast natural gas reserves, Vision 2030 places significant emphasis on diversifying its economy, fostering private sector growth, and creating a competitive global business environment. Moreover, Qatar's regulatory reforms have fostered a more investor-friendly environment and strengthened the financial sector. Key initiatives, such as the introduction of the Foreign Investment Law, allowing 100% foreign ownership in certain sectors, and the modernization of the Qatar Stock Exchange (QSE), have created a more transparent and accessible market for both local and international investors. These reforms have not only enhanced market liquidity and investor confidence but also encouraged more companies to consider going public. An example of this is the Mesaieed Petrochemical Holding Company second offering in 2021. The company which originally underwent an IPO in 2014 offering 25% of the company's shares, listed an additional 10% in 2021 to increase the company's shareholding base and liquidity in the market. This was a significant move for Qatar's petrochemical sector, aligning with the country's broader goals to attract investment and promote non-hydrocarbon industries. This successful listing demonstrates how regulatory improvements are driving IPO activity, supporting Qatar's efforts to diversify its economy and strengthen the private sector.

**Bahrain Vision 2030** aims to transform the Kingdom into a competitive, diversified economy by focusing on sectors beyond oil, such as finance, technology, manufacturing, and tourism. A key element of this transformation is fostering a vibrant private sector. The government's efforts to enhance transparency, corporate governance, and market liquidity, particularly through the development of the Bahrain Bourse support IPO activity. As a result, companies are increasingly encouraged to go public to raise capital, expand their operations, and contribute to the growth of non-oil industries. A recent example of this is the Aluminum Bahrain (Alba) IPO in 2022, where the company listed a portion of its shares on the Bahrain Bourse. This move not only provided Alba with the resources for expansion but also aligned with Vision 2030's objectives of economic diversification and private sector growth.

**The UAE's Vision 2031** promotes growth in tech, finance, and tourism with reforms to attract global companies. The UAE government has introduced numerous initiatives to enhance the capital markets, including reforms aimed at making the Dubai Financial Market (DFM) and Abu Dhabi Securities Exchange (ADX) more attractive for tech, finance, and infrastructure companies. Notably, the UAE has embraced modern listing structures, such as dual-class shares, to attract high-growth companies, especially in technology. In 2022, Americana Group conducted an IPO and dual listing on the Abu Dhabi Securities Exchange (ADX) and Tadawul raising $1.8 billion which allowed better access

***IPOs often lead to market innovations, as newly listed companies typically need to enhance their operational efficiency and adopt advanced technologies to compete***

to capital, increased liquidity and trading volume, and allowed for investments in digital transformation and supply chain optimization.

**Kuwait's Vision 2035** aims to position the country as a global financial and commercial hub, with a strong emphasis on diversifying its economy away from oil dependence and fostering the growth of the private sector. To achieve this, Kuwait has focused on expanding and regulating its capital markets, including the establishment of a premier and main market, modernizing listing requirements, introducing new investment products, and supporting privatization initiatives. These efforts led to the reclassification of Boursa Kuwait to Emerging Market status by MSCI and FTSE indices, resulting in an influx of passive investments totaling approximately US$4.65 billion. In 2019, Boursa Kuwait took a significant step by offering 44% of its shares to the public, signaling the government's commitment to economic diversification and showcasing the country's evolving capital markets. This move attracted both local and international investors, reflecting the growing appeal of Kuwait's market. Through regulatory reforms, enhanced corporate governance, and more accessible foreign investment rules, Kuwait is fostering an environment conducive to IPO listings, strengthening the private sector, and advancing the economic diversification objectives of Vision 2035.

**Oman Vision 2040** aims to transform the Sultanate's economy by diversifying away from oil dependency, fostering innovation, and creating a competitive, knowledge-based economy. A crucial element of this transformation is supporting the growth of the private sector. Vision 2040 emphasizes improving the business environment through regulatory reforms, enhancing corporate governance, and attracting foreign investment. By developing a more transparent and efficient capital market, Oman is encouraging companies to go public as a way to raise capital for expansion and innovation. The government's efforts to modernize the Muscat Securities Market and create a favorable investment climate have made the market more appealing to both local and international investors. A recent example of this is the OQ Exploration and Production (OQEP) IPO in October 2024. With an offering of 25% of the company or US$489 million, OQEP has become the largest company listed on the MSX and the first exploration and production company to achieve this. This milestone reflects efforts to diversify the MSX offerings and include key players from across Oman's economic sectors, in line with Vision 2040's objectives.

**The broader economic impact of IPOs**

The impact of IPOs goes beyond the immediate capital raised. They have far-reaching effects on job creation, foreign direct investment (FDI), and market liquidity. IPOs create jobs as companies expand, provide a channel for attracting foreign investment, and enhance the transparency and liquidity of the capital markets. This fosters economic stability, investor confidence, and a more diverse economic base. Moreover, IPOs often lead to market innovations, as newly listed companies typically need to enhance their operational efficiency and adopt more advanced technologies to remain competitive. By fostering greater transparency and corporate governance, these listings also encourage other businesses to improve their practices, creating a more robust and attractive environment for global investors. This process contributes significantly to the long-term sustainability and prosperity of the region, supporting broader economic goals of diversification, innovation, and global competitiveness. As national strategies continue to unfold, the impact of IPOs will be felt across various sectors, ultimately driving the continued economic growth and transformation of the GCC economy.

# Cyber risk: the impact on operational risk management

By: Pradeep Rajagopalan, Executive Vice President, Controls

**Imagine, you are the treasurer for your company. It is a busy Sunday at 11:00 AM. Banks are open after the weekend. You have a lot of Forex deals and work pending over the weekend to catch up. Your CEO, who has travelled on a business trip, calls you on your work line from her mobile. She mentions a top confidential M&A transaction and tells you that an email will arrive shortly, inviting you (the treasurer) to a Teams call to discuss the matter. Surely, after a short while there is an invite link from the CEO's official email ID. Teams calls are secure, right?**

Once you join the call you see that the participants, which include your CEO and one of your board members, are busy discussing a deal. There is a mention of your regional competition and your other rivals. There is a tense environment in the call. Suddenly, the CEO points to you and asks you, "Treasurer, can you raise USD $10 million urgently for an M&A bid". This is a big honor to be associated with the M&A deal, you promptly reply, "Of course, it will be ready by the afternoon". You are dismissed from the call. Shortly thereafter, you get an email from the CEO authorizing you to urgently transfer the USD $10 million to a bank account with a well reputed bank. You want to call the CEO and confirm but then the CEO is travelling and mobile networks are patchy. You make the transfer quickly.

***The staff members in the video call were AI bots seamlessly carrying out a conversation with each other. They managed to convince a finance worker to transfer approximately USD $25 million***

Surely, this is a usual business scenario, and you are wondering if there is any catch in this situation. A similar issue was presented to a multinational firm in Hong Kong. The scammers orchestrated a video conference call, using deepfakes to mimic the CFO's voice and gestures. Further, the other staff members of a multinational firm in the video call were AI bots seamlessly carrying out a conversation with each other. They managed to convince a finance worker to transfer approximately USD $25 million[1].

It doesn't take much effort to launch a deep fake attack. There are email and phone spoofing software available for as little as USD $20. There are enough YouTube and company videos of senior executives which can be used to train an AI bot. It takes as little as 15 minutes of training on audio and video feed to train a commercially available AI bot[2]. Further, it is very easy to follow LinkedIn and well publicized industry events to figure out when a particular executive is travelling/will be out of network on a flight. The point is that using a combination of technology and social engineering, it has become very easy to launch a realistic cyber-attack.

**Welcome to a new era of cyber risk!**

Today's digital environment necessitates a heightened awareness of cyber risks. Our reliance on technology exposes us to a broad spectrum of threats, including data breaches, malware, ransomware, account takeovers, and – a particularly concerning development - deepfakes and AI driven frauds.

Cyber risk has become a critical component of operational risk management in today's digital landscape. As organizations increasingly rely on technology for their day-to-day operations, the potential for cyber threats to disrupt business continuity and cause significant financial and reputational damage has grown exponentially.

### Cyber risks can impact the organization in the following ways

**A Broadened threat landscape**

Cyber risks have broadened the scope of operational risk management, requiring organizations to consider a wide range of potential new threats, including data breaches, malware, ransomware, account takeovers and social engineering attacks.

**B Financial implications**

Cyber incidents can result in substantial financial losses. Unlike Credit risk or market risk where it is possible to model risks and quantify losses, operational risks tend to be non-linear and disproportionate in their impact on the organization. It takes just one mistake to undo years of consistent diligent output. In 2023, cybercrime losses in the U.S. reached a record high of USD $12.5 billion[3]. Further there is the possibility of regulatory fines and legal costs associated with data privacy violations.

**C Reputational damage**

Successful cyberattacks can severely damage an organization's reputation. For example, the 'NotPetya' attack in 2017. It was a ransomware attack disguised as a software update. However, its primary goal was data destruction rather than financial gain. While initially targeting Ukrainian companies, the malware quickly spread globally, affecting numerous multinational corporations. Both Maersk and FedEx suffered losses in the range of USD 300 million[4]. Further, thanks to social media platforms, any reputational damage has the potential to be severely overplayed, resulting in damage to the organization as well as the wider ecosystem. Regulators are concerned about contagion and country risks resulting from loss of confidence.

### So how does one go about mitigating the operational aspects of a cyber risk?

**A Continuous monitoring and adaptation**

The cyber threat landscape is dynamic and requires ongoing vigilance. Gone are the days when it was enough to do a yearly BCP test and engage a few consultants to conduct an assessment of your technology architecture. These days, threats are emerging on a daily basis from different directions. These threats are neither linear, nor follow a logical cause and effect thread.

> ***Recently, Ferrari executives avoided a deep fake fraud using a relatively straightforward method; by asking a simple personal question***

For example, your branch in the Middle East may be targeted by North Korean hackers who are not interested in monetary gains but have other political goals[5].

**B Cybersecurity culture**

Cyber threats need a cultural realignment in the organization, especially in traditional societies like the Middle East and Far East where it is natural for employees to be deferential to authority figures. Building a strong cybersecurity culture fosters vigilance and empowers employees to identify and report suspicious activity. This includes fostering open communication where any employee can raise concerns, regardless of seniority. Hence, organizations need to have a concerted effort to train staff and stay abreast of technology.

**C Executive awareness**

Training executives to recognize and respond to unusual transactions and communication patterns is critical to preventing fraud.

Recently, Ferrari executives avoided a deep fake fraud using a relatively straightforward method; by asking a simple personal question[6]. Similarly, Mark Read, the CEO of WPP was targeted, the scammers set up a MS Teams meeting with him and other senior WPP executives. Despite using a YouTube video and a voice clone of Read, the scam was caught by alert executives[7].

### Suggestions to better manage cyber risk

**A Digital footprint assessment**

Conduct a thorough review of publicly available information to identify potential vulnerabilities exploited by attackers. For example, when you happily announce in the press that your organization has upgraded to a new ERP solution, you are also leaving clues for hackers to target the vulnerabilities of that ERP solution.

**B Employee training**

Implement ongoing cybersecurity training programs that equip employees with the knowledge and skills to identify and respond to cyber threats.

**C Cultural realignment and internal reporting mechanisms**

Foster an open culture where even entry level employees can raise an alert irrespective of who is giving the instruction. Establish a clear and accessible process for employees to report suspicious activity, fostering a culture of vigilance and prompt action.

**D Internal reporting mechanism**

Set up a robust internal mechanism. For example, designate an approachable compliance officer who can receive and address employee concerns without judgment.

### Conclusion

Cyber threats are an ever-present reality in today's digital world. By implementing some of the strategies outlined above, we can strengthen our operational risk management framework and safeguard our organization from the evolving threat landscape.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# Impact of Trump 2.0 on GCC

By: Aparna Srinivasan, Research Senior Consultant, Marmore

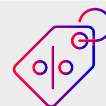
**The U.S. presidential election was one of the most closely followed events in 2024, given the strategic importance of U.S. to the rest of the world. With Donald Trump winning the country's closely fought Presidential election in November 2024, the impact of his upcoming presidential tenure on the GCC merits a closer look.**

### Oil: would the shale boom pressure continue?

OPEC+ has been looking to unwind its production cuts, with the prospects for growth of the oil sector in 2025 largely relying on the speed and magnitude. While OPEC+ has been undertaking production cuts to support oil prices since 2023, the U.S. has taken to filling up the gap in oil supply. U.S. is set to be the top producer of crude oil in the world for the seventh consecutive year in 2024, with increasing productivity of its oil wells driving the growth in production. The country's average production of crude oil for 2024 had reached a record high of 13.2 million barrels per day (bpd) and it is expected to rise further to 13.5 million bpd in 2025.[8]

*In the backdrop of ample supply from the U.S. and weakness in demand from China, the role of OPEC+ production cuts could largely be limited to providing a floor to oil price rather than pushing up prices significantly*

U.S. President-elect Trump has favoured fossil fuels in the past. During his previous term, he had deregulated the oil industry and had granted more licenses for exploration, aiding in the industry's growth. He is likely to continue supporting domestic shale oil production, keeping oil prices in check. This sustained rise in supply from U.S. would place OPEC+ in a tight spot. In the backdrop of ample supply from the U.S. and weakness in demand from China, the role of OPEC+ production cuts could largely be limited to providing a floor to oil price rather than pushing up prices significantly. On the other hand, unwinding of production cuts could add further pressure on oil prices if it is not accompanied by a simultaneous recovery in demand. Thus, GCC countries might have to deal with both less than desired oil production levels and prices, unless there is significant turnaround in oil demand. This could impact the GCC governments' spending on diversification efforts.



### Inflation and interest rates: would the easing continue?

Some of the U.S. President's policies are widely viewed to be inflationary. A key outcome of Trump's re-election is the continuation of his protectionist policies, leading to trade tensions between U.S. and China. Trump has said he would increase tariffs on Chinese goods to as high as 60%. The country would also levy 10-20% tariffs on goods imported from other

trade partners. Such tariffs on imported goods would limit competition and lower availability of affordable goods for consumers. Increase in price of goods due to these tariffs are also largely borne by the end consumers and would fuel inflation.

Deportation of migrants has also been proposed by Trump. This would lead to labor shortages in industries like food processing and construction that employ immigrants, in turn driving up labor costs and inflation. Trump's plans to extend tax cuts would boost domestic demand and in turn spike up inflation. These tax cut plans could also result in a higher fiscal deficit and an increase in debt.

Currently, U.S. Fed plans to lower rates by 50 bps in 2025, provided inflation continues to decline and the economy achieves soft landing. In the event of a rise in inflation due to the implementation of these policies, U.S. Fed would have to slow down or pause its planned monetary easing. With the GCC central banks largely following U.S. Fed's monetary policy due to the currency peg, they would also have to look at various alternatives such as slowing down or pausing interest rate cuts or keeping interest rates higher for longer than anticipated.

**Geopolitics: hope for normalization?** Geopolitics has been a key driver of GCC markets in recent months. While GCC economies have continued to be resilient despite regional tensions, the threat of broadening the ongoing conflict has been a concern for various stakeholders and this uncertainty has contributed to the relative sober performance of GCC capital markets in 2024.

While the U.S. President-elect has expressed his eagerness to end the conflict in Ukraine and the Middle East, given his transactional style of administration, his handling of the current regional geopolitics would be closely followed. While the world hopes for a quick restoration of peace, President elect Trump's stance and forthcoming approach to resolving conflicts could fuel uncertainty among investors, escalating market volatility.

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Notably, President elect Trump played an important role in finalizing the Abraham Accords in 2020.

In conclusion, global and regional markets are expected to be eventful in 2025. While pro-business policies like tax-cuts and deregulation could be favorably viewed by the markets, the road to implementation of many other policies are likely to heighten market volatility in the near term.

1 EIA

# Overview of FATF's key gaps in AML/CFT framework of Kuwait: implications on the private sector, opportunities for development for financial institutions

By: Noor AlMuhanna, Analyst, Compliance

**Headquartered in Paris, the Financial Action Task Force (FATF) is an international organization that sets standards and policies to combat money laundering (ML) and financial crime. With over 40 member states, FATF establishes recommendations that target threats to the global financial system. In FATF's Mutual Evaluation Report on Kuwait published October 2024, it concluded that Kuwait demonstrates a "basic understanding" of anti-money laundering (AML) and has made significant progress in tackling counter-terrorist financing (CFT) risks.**

The report also identifies potential areas of concern within the country's AML/CFT framework, which have notable implications on a cross-sectoral level in Kuwait. FATF highlights key points that, in their opinion, require attention, namely thorough risk assessments, beneficial ownership transparency, and the enforcement of targeted financial sanctions (TFS). Since the publication of the mutual evaluation report, Kuwait's respective government entities and regulators have started making significant steps towards adopting FATF's recommendations. However, as this requires collaborative efforts, private companies and particularly in the financial sector, play a pivotal role in addressing these issues in line with international standards to ensure compliance and mitigation of associated risks.

One significant viewpoint raised in the FATF report is Kuwait's limited understanding of terrorist financing risks. Although the country has produced its National Risk Assessments (NRA) in 2023, these assessments are perceived to lack comprehensive input from relevant agencies to fully address emerging risks, namely those relating to virtual assets service providers and non-profit organizations, thus resulting in a partially incomplete recognition of both domestic and cross-border threats. This is an opportunity for financial companies to step up the pace and adopt innovative risk assessment procedures internally which help detect, monitor and flag unusual financing patterns rigorously and efficiently. A current trend among financial institutions is integrating advanced technologies, such as AI-powered systems. Regionally, this was demonstrated by the Central Bank of UAE which collaborated with RegTech companies in 2021 to adopt AI-powered transaction monitoring systems to detect suspicious behaviors and illicit trading activities in real time with greater accuracy and efficiency, resulting in an increase of suspicious transactions reporting. Implementing robust tech solutions can enhance a firm's capacity to detect and mitigate terrorist financing risks and align with global best practices.

***Although Kuwait produced its National Risk Assessments in 2023, these were perceived to lack comprehensive input from relevant agencies to fully address emerging risks, namely virtual assets service providers and non-profit organizations***

Another area of concern is beneficial ownership (BO) transparency. FATF's report notes that Kuwait's beneficial ownership register remains underpopulated, with less than 5% of the necessary entries completed. This lack of transparency could present risks for the financial sector, as opaque ownership structures can potentially facilitate illicit activities such as money laundering. The absence of accurate BO data makes it difficult to trace the ultimate owners of entities, which is necessary for preventing financial crimes. Based on practices from other GCC nations, such as the reforms of the Saudi Arabian Monetary Authority (SAMA) that require financial institutions to disclose and verify BO of legal entities, Kuwait could adopt similar practices on the financial sector to enhance transparency standards. There could be a concern that firmer requirements of BO verification may put additional pressure on financial institutions to extrapolate BO information from their corporate clients, thus potentially straining client relations and causing disruptions on legitimate business. Albeit the long-term goal is to adopt preventative AML/CFT measures and further strengthen the AML framework.

FATF also pointed out that enforcement of targeted financial sanctions (TFS) is another area that needs improvement. Despite the existence of a legal framework of TFS in Kuwait, FATF feels that inconsistent implementation of sanctions has led to deficiencies in freezing assets linked to terrorism or proliferation financing. Kuwait's NRA for terrorist financing risk is set at low, which apparently seems misaligned with the country's actual exposure to such risks, thus FATF has raised a concern that this

inconsistency in enforcement could expose financial institutions to the risk of inadvertently facilitating illicit activities. As stated previously, Kuwait has already been considering measures to curb money laundering, such as prohibiting cash transactions for high-value purchases like luxury items and gold, which would substantially improve AML/CFT efforts especially within Kuwait's non-financial businesses and professions as they have an overall weaker understanding of compliance and mitigation of terrorist financing risks than the financial sector. Therefore, they require higher supervision and oversight from regulators. While Kuwait's implementation of such measures aims to combat illegal financing, their success depends on consistent enforcement and collaboration with the private sector. Financial institutions can contribute to the enforcement of TFS by maintaining robust internal controls to ensure ongoing compliance with evolving TFS regulations.

***Kuwait has already been considering measures to curb money laundering, such as prohibiting cash transactions for high-value purchases like luxury items and gold, which would substantially improve AML/CFT efforts***

The implications of the gaps identified by FATF extend beyond policy amendment and regulatory compliance, rather they emphasize a need for focused engagement between different sectors of society and ongoing cooperation with authorities to adopt balanced comprehensive frameworks that strengthen AML/CFT measures in Kuwait. Since the report's publication, Kuwait's government and financial sector have already streamlined corrective plans and proposals to tackle these issues, such as targeted training sessions, exchanging expertise with global consultants, revision of the relevant laws to align with international standards and keeping up with emerging risks and threats. This proactive approach will strengthen compliance awareness as well as uphold and safeguard the integrity of Kuwait's financial sector and economy. Notwithstanding the necessity to implement FATF recommendations, it is important to ensure that the steps taken to achieve them do not encroach on the prosperity of business and trade. The overarching goal of a public-private partnership is to enforce financial crime prevention without disrupting legitimate enterprises.

# Latest HR trends impacting the investment industry

By: Bibi Maqames, Senior HR Officer, Human Resources

**The investment industry is undergoing a significant transformation driven by technological advancements, changing workforce demographics, and evolving employee expectations. Human Resources plays a crucial role in navigating these changes, ensuring that firms can attract, retain, and develop talent in an increasingly competitive landscape. Here are some of the latest HR trends specifically impacting the investment sector.**

**1 Focus on diversity, equity, and inclusion (DEI)**

Investment firms are increasingly recognizing the importance of diverse teams, not only from a social responsibility standpoint but also for enhancing decision-making and innovation. Firms are implementing targeted recruitment strategies, mentorship programs, and training to foster a more inclusive workplace.

**2 Emphasis on employee well-being and mental health**

With the growing recognition of the importance of mental health, investment firms are prioritizing employee well-being. This includes providing mental health resources, flexible work arrangements, and wellness programs to support employees in managing stress and maintaining work-life balance.

**3 Data-driven HR decisions**

Investment firms are leveraging data analytics to inform HR decisions, from recruitment to performance management. By analyzing employee data, firms can identify trends, improve employee engagement, and tailor learning and development programs to meet workforce needs.

**4 Emphasis on continuous learning and development**

The fast-paced nature of the investment industry requires professionals to continuously update their skills. Firms are investing in ongoing learning and development programs, including digital learning platforms, to ensure employees remain competitive and knowledgeable about market trends.

***As firms navigate the complexities of an evolving market, emphasis on diversity and inclusion, remote work flexibility, and continuous learning will be paramount in attracting and retaining talent***

**5 Talent acquisition strategies**

As competition for top talent intensifies, investment firms are revising their talent acquisition strategies to attract skilled professionals. This includes employer branding initiatives, streamlined recruitment processes, and the use of technology (e.g., AI and machine learning) to identify and engage candidates.

**6 Leadership development and succession planning**

Firms are placing greater emphasis on developing future leaders and ensuring a robust succession planning process. This includes identifying high-potential employees, providing mentorship opportunities, and creating leadership training programs aligned with the firm's strategic goals.

**7 Enhanced employee experience**

Investment firms are focusing on improving the overall employee experience, from onboarding to career progression. This involves creating a positive workplace culture, providing opportunities for feedback, and ensuring that employees feel valued and engaged.

**8 Regulatory compliance and training**

With the investment industry facing an increasing number of regulations, HR department are focusing on compliance training. Ensuring that employees understand regulatory requirements and ethical standards is essential for mitigating risks and maintaining the firm's reputation.

**9 Technology integration in HR processes**

HR technology is transforming how firms manage their workforce. From applicant tracking systems (ATS) to performance management software and employee engagement tools, investment firms are adopting technology to streamline HR processes and improve efficiency.

**10 Focus on ESG (environmental, social, governance) factors**

As ESG considerations gain traction in investment decision-making, HR is playing a role in promoting these values within the firm. This includes creating policies that reflect sustainability and ethical practices and ensuring that employees understand the firm's commitment to ESG principles.

In conclusion, the investment industry is undergoing a significant transformation driven by the latest HR trends that prioritize talent acquisition, employee well-being, and technological integration. As firms navigate the complexities of a rapidly evolving market, the emphasis on diversity and inclusion, remote work flexibility, and continuous learning will be paramount in attracting and retaining top talent. The integration of advanced HR technologies not only streamlines processes but also enhances employee engagement and productivity. By embracing these trends, investment firms can create a more agile, innovative, and resilient workforce, positioning themselves for sustained success in a competitive landscape. Ultimately, fostering a culture that values human capital will be key to thriving in an increasingly dynamic investment environment.

# Markaz technology champion initiative

**In 2023, Markaz launched the Technology Champion Initiative to empower employees to spearhead the integration of technology across various departments and enhance our digital ecosystem. In this and future editions of Investor's Vantage, we will spotlight the experiences and insights of the members participating in this program.**

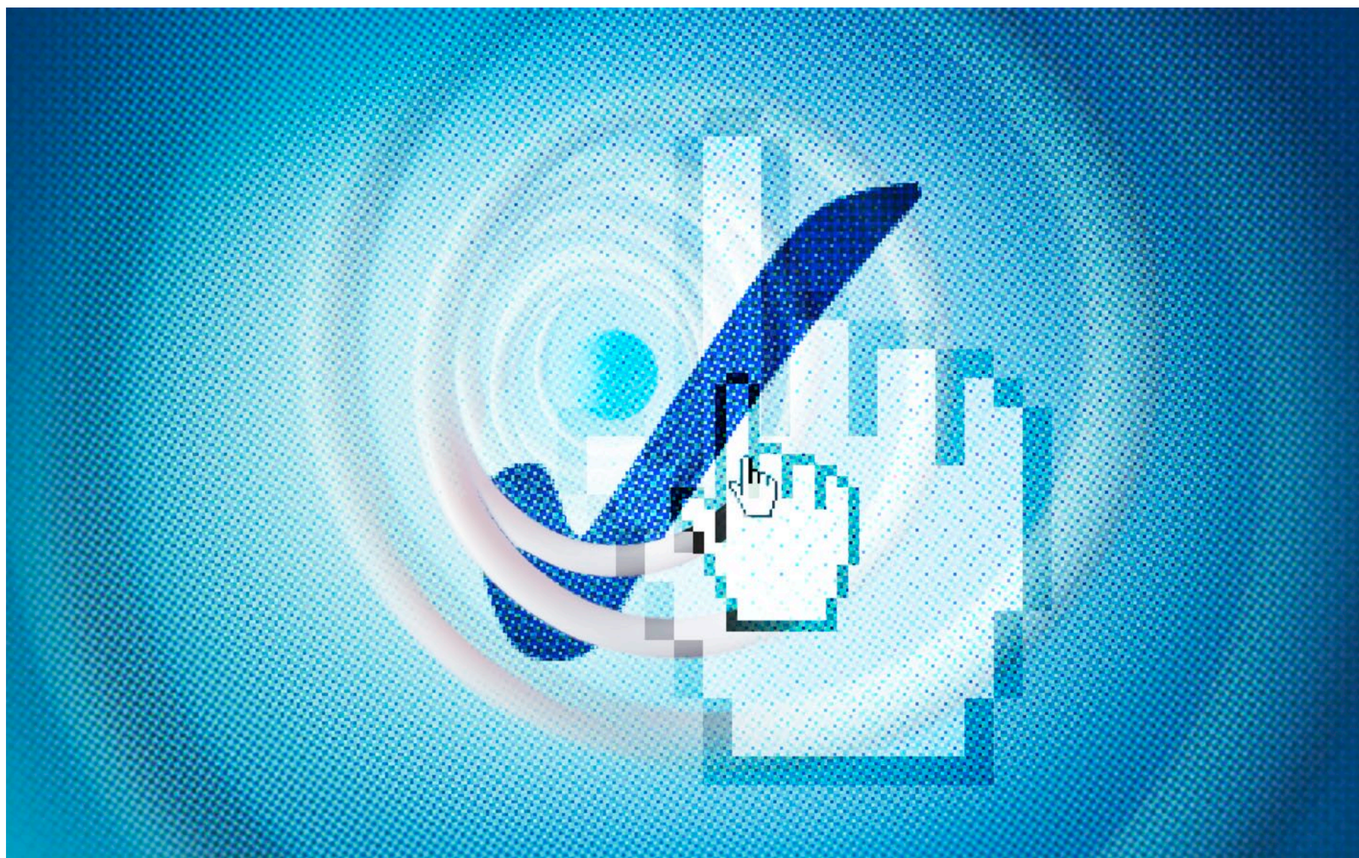
## Technology champion spotlight

By: Mohammad Alnaqeeb, Assistant Analyst, Strategic Planning

***The Technology Champion Initiative has not only broadened my technical expertise but honed my existing capabilities and strengthened my ability to lead and support transformative projects within our organization***

As the technology champion of the Strategic Planning department, the Technology Champion Initiative has been an enriching experience. This initiative has provided me with the opportunity to collaborate with colleagues across various departments, fostering a culture of innovation and continuous improvement centered around digitalization; this will especially be emphasized for 2025.

Through this program, I have been able to contribute to the development and implementation of key technological advancements that align with our strategic goals. One of the highlights of my experience has been working on the integration of new digital tools that enhance our operational efficiency and decision-making processes. Additionally, the initiative has allowed me to develop my skills in project management and cross-functional communication, which are essential for driving successful technology adoption. Furthermore, the Technology Champion Initiative has not only broadened my technical expertise but honed my existing capabilities and strengthened my ability to lead and support transformative projects within our organization. Ultimately, it is not about developing a digital strategy, rather developing a strategy to compete in a digital world.



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