



MARKET INSIGHT

DECEMBER 2021

An aerial photograph of a tropical beach. The water is a vibrant turquoise color, transitioning to a lighter, sandy hue as it meets the white sand beach. The beach is wide and curves along the coastline. In the background, there are dark green hills under a bright blue sky with scattered white clouds. A large, semi-transparent white circle is overlaid on the bottom right corner of the image.

SUCCESS. TOGETHER.



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“Dubai’s international financial centre stands out as the hub of the wealth management industry in the MENA region, with seventeen years of exceptional growth”

LOOKING TO THE MIDDLE EAST

Dubai's international financial centre (DIFC) stands out as the hub of the wealth management industry in the MENA region, with seventeen years of exceptional growth. At the end of 2020, a total of 915 financial companies were active, and 303 operated in the FinTech and Innovation ecosystem. Before we take a deeper dive, let's highlight the importance of the region globally.

Middle Eastern countries hold about 50% of global oil reserves, and it is this precious commodity which has helped amass a substantial amount of wealth. In the GCC alone, sovereign wealth funds are estimated to hold roughly \$2.5 trillion.

GLOBAL MAP

In a bid to promote tourism and local businesses, the region is witnessing some major events playing off in its backyard. In 2022 Qatar will host the World Cup, the most televised event on the planet. Saudi Arabia on the other hand will host its first Formula 1 race joining Abu Dhabi, and Dubai is welcoming the world for six months to Expo 2020. The region has become a global hub, a link between the East and West, a gateway for Asia's businesses to Africa, a home for expatriates and entrepreneurs who have found success and prosperity over the last twenty years.

FINANCIAL CENTRES

Dubai was the first to fulfill the growing need of a professional environment to manage money by creating the DIFC, a financial free zone governed by the rule of law and supervised by a highly credible body, the DFSA. Shortly after its inception in 2004, international banks began showing interest in having a presence in the DIFC to cater to its regional clientele. In recent years, the UAE has seen many independent asset managers, brokers and fund

managers establishing a presence. The cultural mix, infrastructure, security and high standards of living contributed to attracting talent from all over the globe, putting Dubai in the lead. Other major players have followed suit. In 2015 Abu Dhabi established its own financial centre, the ADGM, and Saudi Arabia is undertaking the large-scale development of a new financial hub, the KAFD.

Digitisation and FinTech are also playing an important role. At the Fintech Hive in the UAE you'll find young professionals buzzing with energy and working relentlessly on the technologies of the future. Cryptocurrencies have also made their way to the MENA region as Changpeng Zhao, who runs the world's largest cryptocurrency-exchange, has bought his first home in Dubai which he describes as "very pro-crypto where the government is progressive, and it's a very good business environment".

PRODUCT AND OFFERING

Credit issuance from governments and corporates has flourished over the last decade. In 2012 total MENA bond issuances stood at \$40 billion; by 2016 this number had nearly doubled. In 2021 we are on track to reach \$140 billion, led by Qatar and Saudi Arabia. Local banks and corporates have also been active in the credit market, issuing senior as well as subordinated debt, rendering Dubai home to the largest Sukuk funds run by reputable international investment managers.

On the Wealth Management side, clients have become increasingly sophisticated therefore requiring a high level of service, both from the advisory/discretionary side and the investments suite of products. The growing importance of technology has led to an evolution from both

ends: institutions are moving to supply platforms where clients can open accounts, invest their wealth, and use intelligent advisors that make access to markets easier and smarter; clients are also demanding better levels of service and more sophisticated solutions.

In 2009, total AUM in the Middle East and Africa stood at \$900 billion and reached \$1.4 trillion in 2020. The key driver there was an increase in sovereign wealth fund assets, that constitutes a 66% increase and is expected to keep rising.

As the region experiences economic growth, so too does the wealth management industry. Attracting some of the world's best talent, its modern approach to business and world class infrastructures have been key to the success of the newly born financial centres, and that path is expected to continue for the foreseeable future.



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