



Qatar banking perspectives 2019

**Business model transformation
shaping the landscape**

July 2019

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Foreword

Our evaluation of the financial and non financial trends indicates strength and resilience in the banking sector in Qatar. We also see a positive outlook, with promising opportunities for growth and transformation of the traditional ways of doing business.

I am pleased to introduce you to the first edition of our annual Qatar banking perspectives publication, where we examine pertinent issues and trends affecting the global banking industry today, with a particular focus on the State of Qatar. Our subject matter experts have shared their views on key topics; identified the main challenges faced by the banking sector; and proposed strategies to combat these. In this first edition we elaborate on a broad spectrum of topics, ranging from culture and governance to the role of technology in banking today.

In the constant drive for growth, banks would do well to swiftly adapt to a shifting regulatory and consumer landscape. Banks need not, however, be overly cautious of venturing into uncharted territory. Rather, they can pioneer practices and products that cater to gaps in the market or improve operational efficiency and competitive positioning.

Technological innovation and a flourishing demand for non-conventional financial institutions can disrupt the industry, while risk functions must contend with challenges such as the adoption of IFRS 9 and the upcoming replacement of the London Interbank Offered Rate (LIBOR).

Over the past year, the Qatar Central Bank has issued a range of directives that clearly signal Qatar's intent to align with global best practice in terms of prudent market regulation, covering areas such as IFRS 9 and Basel III. They have also addressed topical subjects affecting the banking industry today, including the Financial Action Task Force (FATF) evaluation of Qatar which is expected to begin next year, and will trigger an independent review of anti-money laundering (AML) and sanctions compliance rules.

Banks continue to encourage a healthy corporate culture, and are now considering practices that are in line with the sustainability agenda, while strides in digital innovation can be exploited to their full potential as traditional banking methods are transformed by the digital age.

This publication complements our GCC listed banks results report, which sets out some of the key financial indicators, issues and expected trends in the future for the banking industry in the region.

On behalf of KPMG in Qatar, we look forward to delving deeper into the topics discussed within this publication, and exploring how your organization can make the most of the opportunities that lie ahead.



Omar Mahmood
Head of Financial
Services in the Middle
East & South Asia

Omar is a partner based in Qatar and heads the Financial Services practice across the Middle East & South Asia region. He has 20 years of experience spread between London, Riyadh and Doha advising some of our largest clients in the banking (conventional and Islamic) and asset management sectors.

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Executive summary

The banking sector is constantly evolving and to successfully navigate through this environment, local financial institutions will need to increase their focus on international reporting protocols, regulatory compliance, forthcoming VAT implications, digital transformation, mitigating fraud and cyber crime risks and facilitating a highly valued corporate governance culture that will benefit all stakeholders.

2018 has been a positive year for listed banks in Qatar, with an average 9.5 percent growth in net profit and 3.2 percent growth in total assets, which demonstrates strength and opportunities in the sector.

It is expected that from early 2020, Qatar will introduce **value-added tax (VAT)** at a standard rate of 5% in line with the Gulf Cooperation Council VAT Framework (GCC Framework). All businesses in Qatar will be affected by the introduction of VAT, however the implications are likely to be more complex for the Financial Services sector due to categorization of exempt supplies for VAT purposes. Whilst exempt services have no direct impact on end-consumers, as they will not be charged with VAT, they can have a substantial impact on the profitability of the banks.

In December 2017, the Basel Committee on Banking Supervision (BCBS) published a revised set of minimum standards for the capital treatment of credit risk, operational risk and credit valuation adjustment risk and for a new output floor to limit the extent to which banks will be able to use internal models for credit and market risk to drive down capital requirements. Qatar is committed to adopting **revised Basel IV guidelines** and the QCB has already initiated consultative guidelines on the subject. Qatar has already adopted and implemented the Basel III framework ahead of some of its GCC peers.

IFRS 9 has impacted banks across the world and changed the way they approach and view the impairment process. The standard has brought

about far-reaching changes in many areas such as financial reporting, risk management, capital management, regulatory reporting, data sourcing and collection, governance framework and IT systems. Given the scale and scope of the impact of IFRS 9, implementation efforts are likely to continue as banks refine and work on the supporting areas –or infrastructure –to ensure all facets of the standard run smoothly.

Culture and governance has moved rapidly up the global agenda of financial institutions in recent years, with increasing interest amongst companies in the State of Qatar. Recently, regulators in Qatar have started to look at culture, behavior and standards of conduct. They have been focusing on how they can prevent or manage similar issues that have arisen globally.

Financial Services institutions around the world, and in the Middle East in particular, have acknowledged that they need to adopt **digital transformation** and turn their people into assets. This requires companies to train their employees on the various digital solutions and support them with identifying specific areas within their roles that would benefit from disruptive technologies.

Cyber crime committed these days by criminals are demonstrating a growing knowledge of our financial systems and their potential weaknesses. One challenge the industry must address is not to see cybersecurity as merely a governance, risk and control issue, but as a matter of competition with a digital adversary. The security response of firms must be managed through carefully

controlled and audited control environments, delivered at the pace that this verification and accounting process allows.

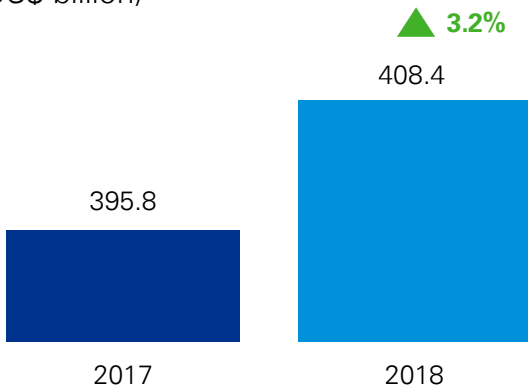
Anti-Money Laundering innovation today means considering new approaches, supported by technology, to help alleviate compliance problems and costs. Many terms, such as Intelligent Automation, have been used to describe the increasing role that technology is playing in organizations, ranging from robotics to machine learning to cognitive, or artificial intelligence (AI) to combat anti-money laundering. Regulatory scrutiny, cost pressure, and innovative competition are the prime drivers that are encouraging organizations to integrate their intelligent automation efforts.

The growth of the Islamic financial market is becoming systemically important as the GCC consolidates its position as a globally significant economic hub. The growth of **Islamic finance** may be sustained by addressing some key points. These include the 'form over substance' debate and the need for harmonization of standards.

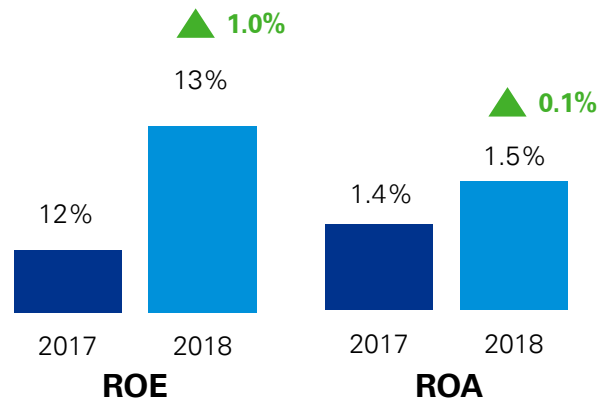
Results snapshot

The results snapshot is based on the financial analysis of eight listed banks (four conventional banks and four Islamic banks) in Qatar for the year ended 31 December 2018.

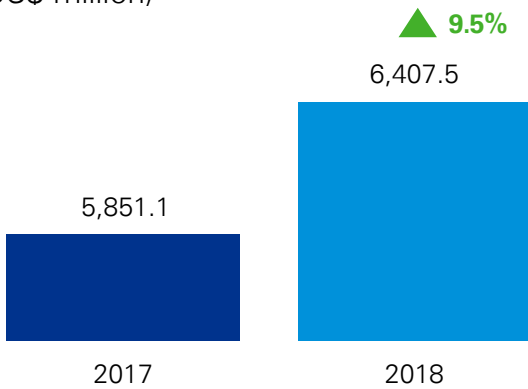
Total assets (US\$ billion)



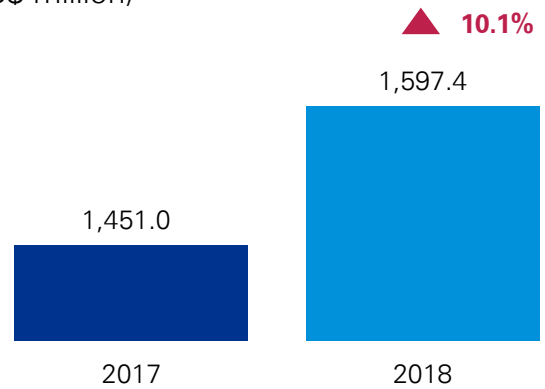
Return on equity/return on assets (%)



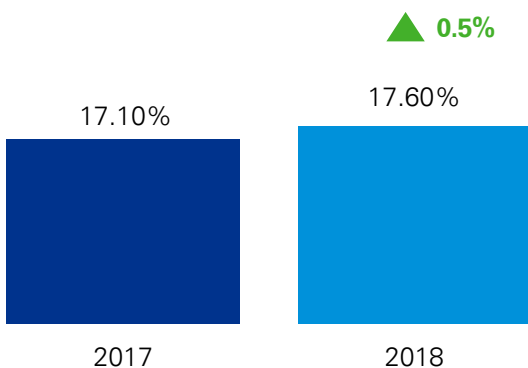
Net profit (US\$ million)



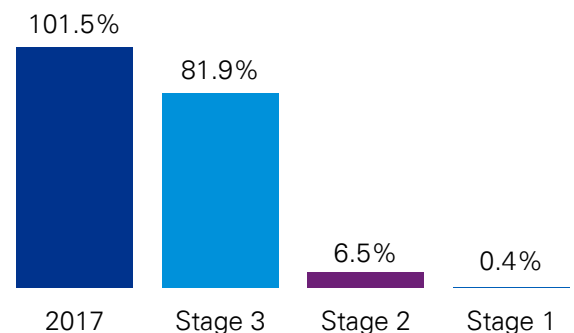
Net provision charge on loans (US\$ million)



Capital adequacy ratio (%)

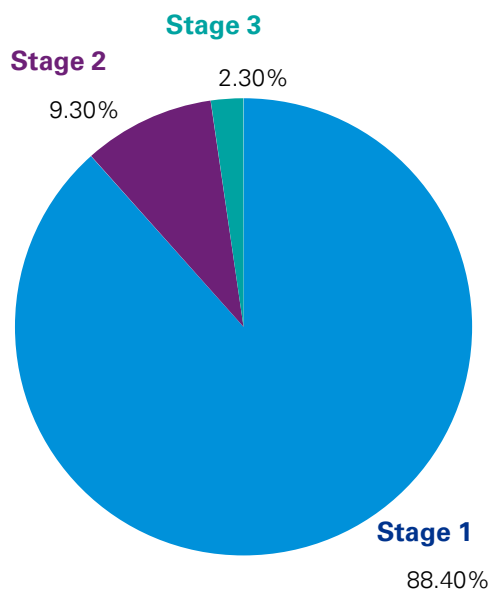


Coverage ratios on loans – by stage (%)





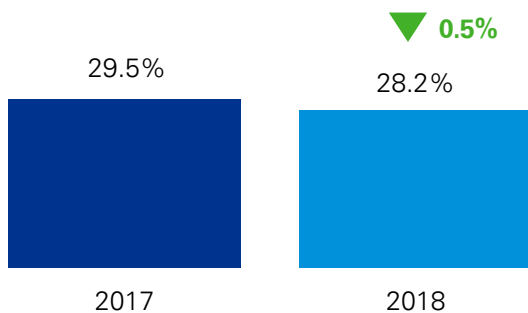
Total loans subject to ECL- by stage as at 31 December 2018 (%)



Rizwan Yaseen
Audit

Rizwan focuses on audit services within the Financial Services sector. He has more than 19 years of audit experience with KPMG and specializes in the audits of banks and asset management firms, regulators and many QFC regulated entities.

Cost-to-income ratio (%)



Implications of VAT on Financial Services

Most of the activities within the Financial Services industry will likely qualify for VAT exemption, which can however have serious implications on the profit margins for banks.



It is expected that from early 2020, Qatar will introduce VAT at a standard rate of 5% in line with the Gulf Cooperation Council VAT Framework. All businesses in Qatar will be affected by the introduction of VAT, however, the implications are likely to be more complex for the Financial Services sector.

To date, only the UAE, Saudi Arabia (both as of 1 January 2018) and Bahrain (as of 1 January 2019) went live with a VAT system in the GCC. Experience in these states (as well as in countries outside of the GCC, which have implemented a VAT system long ago) shows that banks, in general, are only able to recover a small part of the total VAT incurred on expenditures such as lease of premises, utilities, professional fees and marketing.

The reason for this lies in the fact that many Financial Services will be categorized as exempt supplies for VAT purposes. Whilst exempt services have no direct impact on end-consumers as they will not be charged with VAT, they can have a substantial impact on the profitability of the banks, since banks will not be able to claim credit for any VAT incurred on expenses related to the making of such exempt supplies.

Exempt versus taxable supplies

It is not clear yet where Qatar will draw the line between exempt and taxable supplies in the Financial Services area. In the GCC countries which have already implemented VAT, margin-based products, such as those generating interest income (loans, mortgages, provision of credit) are exempt from VAT, whilst Financial Services where an explicit fee, commission, discount or rebate is levied (such as fees for account applications, money transfers, cheque books, account statements and ATM charges) are subject to VAT at the standard rate.

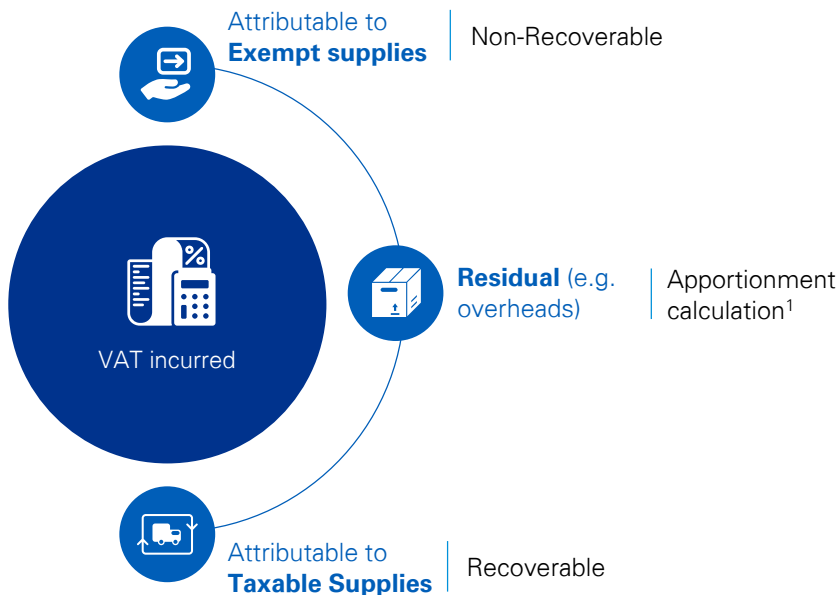
Based on recent discussions between the industry and the General Tax Authority (GTA), it is possible that Qatar will apply a different approach and exempt the core Financial Services (such as money handling, operating accounts, exchange of currencies, granting loans, issuance or transfer of securities, etc.) regardless of the type of consideration payable. More advisory-based services rendered such as wealth management, as well as any services relating to intermediation, arranging, broking or underwriting would be taxable. Regardless of which approach will be taken by tax

authorities, banks will always provide both exempt services, which do not allow for input VAT deduction, and taxable services, which do allow for input VAT deduction.

Apportionment of input tax

Since it is often not possible to allocate a certain expense to either exempt or taxable services, the VAT law in Qatar will have to foresee a method to apportion the VAT incurred to determine the recoverable VAT. One possibility to do this is to publish a fixed percentage (differentiated according to the type of financial institution and reflecting the mix of their business), which is applicable to all input taxes of a bank. This method is advantageous in its simplicity for the banks. On the other hand, it would be quite complex for the GTA to determine a "fair and reasonable" fixed percentage for different types of banks and periodical review of the percentage would be required.

The GCC member states which have already implemented VAT have decided to adopt apportionment methods to determine the recoverable VAT for their overhead costs based on the turnover achieved or the use of the VAT paid on expenses (see diagram for an illustration of how this works in practice).



¹ Apportionment calculation

$\frac{\text{Taxable supplies}}{\text{taxable} + \text{exempt supplies}} \times (100/1) \times \text{residual input VAT}$
<p style="text-align: center;">or</p> $\frac{\text{Input tax attributable to taxable supplies}}{\text{Input tax attributable to taxable} + \text{exempt supplies}} \times (100/1) \times \text{residual input VAT}$

Any changes in the usage of capital assets within their economic life requires an adjustment to Input VAT recovered earlier which will likely result in either a payment or repayment of VAT to, or from, the GTA. This would lead to an increased administrative burden as the use of these assets needs to be monitored over their economic life (ten years for buildings, five years for other capital assets).

Cost of VAT

The irrecoverable VAT costs as well as compliance costs, which are – as a consequence of the complexity of the VAT for this specific industry – usually quite high for financial institutions, would indicate that the banks will increase their fees to compensate for the additional hidden costs.

In order to keep compliance cost to a minimum, it is key for banks to plan well ahead for the introduction of VAT:

- Compliance cost can be significantly reduced by having an enterprise resource planning (ERP) system in place, which is ready and suitably configured for VAT. Vendor and customer master data may need to be

changed, a tax condition logic will have to be established and tax codes will have to be created.

- Furthermore, it's strongly recommendable to carefully review the business set-up with respect to the potential internal creation of irrecoverable VAT. As there will be no VAT charge on employee salaries or using own resources, banks that currently outsource services, such as back-office activities, call centers or IT support to group companies or third parties may, for example, elect to bring these services in-house or consider VAT grouping for services outsourced to other group companies in order to mitigate potential irrecoverable VAT costs.

Pricing issue

Bank commissions are usually approved by a country's central bank and a threshold is identified for certain charges. With this in mind, applying VAT could decrease profit margins for financial institutions, which can have an impact on long-term revenues if banks do not take appropriate action.



Barbara Henzen
Head of Tax

Barbara leads our tax practice in Qatar. She has more than 20 years of experience in international and national tax law with a focus on indirect tax law, delivering and managing indirect tax projects for multinational clients, as well as tax litigation.

Basel IV (Revised Basel III) reforms

The revised norms will result in banks facing a shift in the relative attractiveness of different types of exposures, which will also impact the attractiveness of adopting an internal model based approach to credit or market risk.

In December 2017, the Basel Committee on Banking Supervision published a revised set of minimum standards for the capital treatment of credit risk, operational risk and credit valuation adjustment risk and for a new output floor to limit the extent to which banks will be able to use internal models for credit and market risk to drive down capital requirements.

The revised capital standards are due to be implemented in January 2022, and the output floor to be phased in from 2022 to 2027. The implementation of the revised framework for market risk (mostly finalized by the Basel Committee in January 2016) has been pushed back to January 2022.

Four key issues that banks could face following these changes are:

- Some banks will face significantly higher minimum capital requirements as a result of these new Basel Committee standards, driven in part by their business and its specific characteristics;
- For many banks the most significant impact will be on the need to upgrade their data, systems and (internal and external) reporting;
- Banks face important decisions on whether to apply to use internal model approaches (where these are still available), whether to adjust their asset portfolios in response to changes in risk weightings, and (where necessary) whether to improve their capital ratios

through issuing new capital, retained earnings, or a reduction in risk weighted assets; and

- The impact of the revised capital standards needs to be assessed and responded to in the broader context of other regulatory reforms and market developments that banks are having to adapt to – the European Central Bank’s review of internal models, additional loss absorbing capacity (MREL), recovery and resolution planning, addressing non-performing exposures, IFRS 9, additional supervisory reporting and Pillar 3 public disclosures, the possibility of changes to the capital treatment of sovereign risk exposures, and the competitive threats and opportunities posed by FinTech.

The impact on banks will be cushioned by the long transitional period, in particular for the output floor, although – as with earlier elements of Basel III – banks may face pressure from supervisors, rating agencies and market analysts to meet the ‘fully loaded’ revised standards ahead of schedule.

All banks will need to change their systems or to build new systems to ensure that they are able to collect, analyze and report the necessary data on borrowers and other counterparties.

Banks will also need to ensure that they are reporting the correct data and calculations to their supervisors and in their Pillar 3 disclosures.

In general, the implementation of the Basel IV standards will change banks’ risk measurement and risk

models to a much greater extent than Basel III, so banks with legacy IT, data and reporting systems will face significant cost pressure.

The difficulties faced by many large banks in meeting all of the Basel Committee Principles on Risk Data Aggregation and Reporting suggest that the systems and data requirements of the revised standards will require considerable investment and senior management attention.

Incentives for good risk management

The combination of parameter constraints on the remaining permitted Internal Ratings Based (IRB) approaches and the output floor reduce the incentives for banks to use IRB approaches for credit and market risk. This could have an adverse unintended consequence on the quality of risk management in some banks.

Similarly, banks may become less inclined to model operational risks. Although the introduction of an internal loss component in the standardized approach to operational risk will provide some regulatory incentive for firms to reduce their operational risk losses, this element of risk-sensitivity is limited to past losses, and does not include other key elements of the currently available advanced measurement approach (AMA) such as the use of external data, forward-looking scenario analysis information and business environment and internal control factors data.

The way ahead

All banks will face shifts in the relative attractiveness of different types of exposures as a result of changes in risk weightings and the impact of the output floor, and in the attractiveness of adopting an internal models based approach to credit or market risk.

Some specific areas of business (and indeed some individual exposures, such as high loan to value real estate lending) may become significantly less attractive, with an impact on the cost and availability of these specific products and services. This will have an adverse impact on some borrowers and other bank counterparties, and in turn on the wider economy.

Some banks will face higher capital requirements that cannot be met without either issuing or retaining additional capital or reducing risk weighted assets – just as European banks in aggregate have followed both these paths in order to meet the tougher capital requirements imposed under Basel III and corresponding EU legislation from 2010 onwards. The higher cost of funding for these banks will be accentuated by the introduction of IFRS 9 and of higher minimum requirements for loss absorbing capacity over much the same time period.

For many banks the capital and implementation costs of the new standards will accentuate the pressures on their profitability. This in turn will increase the pressure to deliver higher profitability through reductions in cost to income ratios. However, this will be difficult for many banks to achieve, not least in the short to medium term when IT system expenditure is likely to be dominated by a combination of meeting a wide range of regulatory requirements and by the need to respond to FinTech threats and opportunities.

Strategic options

Banks' strategic options to address Basel IV are likely to focus primarily on adjusting their product and client portfolios, and on achieving operational efficiencies while some banks will also need to strengthen their capital ratios, through:

- 1 Product mix – Banks may need to adjust their product mix (and the specific characteristics of some products such as real estate lending) in response to changes in risk weightings. This could take the form of moving out of some products, leaving banks less diversified and subject to greater volatility in earnings and profitability. This may in turn increase competition in higher quality exposures, putting downward pressure on profitability. It may also create opportunities for some banks in product areas where higher prices compensate sufficiently for higher risk weightings.
- 2 Lower cost to income ratio – Basel IV and other regulatory requirements heighten the importance of delivering cost efficiencies. There is scope for banks to drive down cost to income ratios through FinTech applications and through consolidation in the banking sector. However, this will be complex and time consuming, and banks also face some pressures (gearing up to take advantage of FinTech opportunities, and regulatory requirements) that will increase costs, at least in the short to medium term. On average, EU banks have failed to deliver significant reductions on cost to income ratios over the last ten years, suggesting that this is not an easy option.
- 3 Increase CET 1 Capital – This will be the simplest option for some banks, through either retained earnings or issuing additional capital. However, this will increase the cost of funding and put further downward pressure on profitability. Therefore, this may need to be combined with other options.
- 4 Reduce risk-weighted assets – This can be achieved by shrinking the balance sheet (deleveraging), or by shifting from higher weighted to lower weighted risk exposures. However, this may result in banks losing market share, business volumes, earnings and profitability. For some banks,

there is also scope to move from standardized approaches to credit and market risk to internal model approaches.

Qatar Context

Qatar is committed to adopting revised Basel IV guidelines and QCB has already initiated an impact study/consultative guidelines issuance on the subject. Qatar has already adopted and implemented the Basel III framework ahead of some of GCC peers. Qatari banks are well capitalized and can leverage the existing system implementation to adopt the revised Basel III reforms quickly.



Shubadip Bhattacharya Financial Risk Management

Shubhadip is a Financial Services professional with more than 10 years of project management, implementation and risk advisory experience. He specializes in financial risk management (credit, market operational and liquidity), risk analytics, capital planning & management and stress testing. His experience includes large banking corporations and financial regulators across the Middle East, USA and India.

IFRS 9: embedding into business as usual

Given the scale and scope of IFRS 9, implementation efforts are likely to continue in the foreseeable future, as banks refine and work on supporting areas to ensure all facets of the standard run smoothly.

Most banks across the world have completed their IFRS 9 implementation projects over the last few months, if not years. The conceptual transition from 'incurred loss' to 'Expected Credit Losses' (ECL) has been completed. IFRS 9 has impacted banks across the world and changed the way they approach and view the impairment process. The standard has brought about far-reaching changes in many areas such as financial reporting, risk management, capital management, regulatory reporting, data sourcing and collection, governance framework and IT systems. The standard has, in many ways, integrated the Risk, Finance and IT functions of a bank.

In Qatar, when we analyze the FY2018 results from the listed banks, we see the increase in provisions is substantial. While the rise is not as severe as in many European banks, it is still likely to bring changes to the way banks conduct business.

Technically, most banks have been able to meet the date of initial implementation, but we believe it will take a while before IFRS 9 becomes business as usual. Current IT systems need to change significantly to calculate and record changes requested by IFRS 9 in a cost effective and scalable way, and data sources and models need to be further enhanced.

Adequate infrastructure and systems should be made available for data, for example, recording collateral information, costs and recoveries used in Loss Given Default (LGD) calculation. Models that have been implemented need to be validated and monitored continuously to ensure smooth transition now and the effectiveness in future. All

these changes include substantial investment in terms of resources and time from the bank's perspective.

Reinforcing sound governance

The inter-dependency between the IT, Finance and Risk functions puts forward the need for a revised governance policy. This includes a structure comprising a Board of Directors, steering committee, working group committee and technical working group committee. The QCB, BCBS and Global Public Policy Committee (GPPC) and other such bodies have all recommended minimum standards of governance to ensure that the implementation of IFRS 9 is appropriately supported. The implementation of these governance measures will need careful consideration and time.

IFRS 9 is expected to result in some business lines and products becoming less viable than others. Provisions under IFRS 9 are point-in-time, thereby being closely related to the economic cycle.

Banks are expected to reconsider lending to those sectors that are sensitive to the economic cycle. Likewise, loans with longer duration and bullet payments are likely to come under increased pressure due to the effect of higher ECL. Portfolio strategy ought to be adjusted in order to prevent this increase in volatility.

Profitability is affected currently and will be impacted in various ways in the future as well. Increased current revisions lead to decreased profitability. The implementation of Basel III, together with IFRS 9, will lead to increased cost of capital for banks since the capital adequacy ratio will increase to 14.5% by 2019 with an additional capital conservation buffer.

Additionally, Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) requirements make liquidity more expensive, affecting profitability and hence capital. This has implications on the pricing of products, deal origination, maturity and amortization of products offered.

Credit management

Credit management practices will also be impacted in the future, as banks will have to estimate forward-looking expected loss over the life of the financial facility and monitor for ongoing credit-quality deterioration. The credit benchmarks have become higher and more relevant; costs and recoveries will have to be captured and monitored frequently.

Banks may have to revise performance indicators, incentives and compensation schemes to reflect IFRS 9 adjusted profitability. The collections team would have to start their work sooner, considering the 30 days past due (DPD) threshold for significant increase in credit risk (SICR). Shocks on the economy would require vigorous monitoring and transferring of borrowers from stage 1 to stage 2. Such monitoring will lead to an increase in collection and recovery costs.

The relationship manager has a pivotal role in an IFRS 9 scenario. She or he has a role in structuring and pricing the product for the obligor, collecting the instalments and being the first point of contact to obtain credit information from the customer.

The role of the business teams is likely to be more onerous with the incentive structures tied to an appropriate risk-adjusted profitability metric, such as return on risk-weighted assets, return on risk-adjusted capital or economic value added.

Given the hard work invested by banks in the earlier stages of IFRS 9 implementation, banks should start afresh setting up a project plan for the next phase to make it become business as usual. The plan should also include provisions to ready the bank for regulatory scrutiny. The date of implementation is a job well begun but only partially done.



Yusuf Sayed
Audit & Accounting Advisory

Yusuf has more than 17 years of audit and accounting advisory experience with KPMG and other Big Four accounting firms in Saudi Arabia, USA, Qatar and India. He is a specialist in the Financial Services sector, mainly with banking and asset management clients.



What is 'culture' and why does it matter for banks?

Culture has moved rapidly up the global agenda of financial institutions in recent years, with increasing interest amongst companies in Qatar. The opportunity to deliver value and improve risk management by paying more attention to culture is significant.

The one common thread through the myriad of regulatory and innovation challenges facing the banking sector today is that an adequate response is only possible if you have a strong and positive corporate culture. This goes well beyond legalistic conformity to detailed rules. Banks also need to ask themselves some fundamental questions about their desired culture and values, and how these are reflected across their organization – and be prepared before regulators ask them much the same questions.

It is now widely accepted that a less than desirable culture was at the root of the 2007-2008 global financial crisis and that the 'soft stuff', i.e. poor leadership, behavior and informal norms, can no longer be ignored. The response by global regulators and the business community largely missed the fact that a focus on 'hard controls' is not enough: culture plays

a significant role.

Instances of misconduct, for example professional misbehavior, ethical lapses and compliance failure, have also been reported with troubling frequency, many of which have resulted in negative financial impact on customers and markets, with significant monetary and reputational costs to financial firms. The underlying reasons for this misconduct lie principally in the underestimation or ignorance of the role of culture and conduct in any given organization.

Increasing focus on culture

Although the banking sector in Qatar has not been publicly affected by disputes relating to misconduct, regulators in Qatar have recently started to look at organizations' culture, behavior and standards of

conduct. They have been focusing on how they can prevent or manage similar issues that have risen globally. The opportunity to deliver value and improve risk management through more focused attention on culture is significant.

What is 'culture' and why does it matter?

Culture is an intangible asset reflected in the choices and behavior of a firm's employees. The values, goals and priorities chosen by a firm to define 'business success' work together to create a firm's culture. 'Good culture' is marked by specific values – integrity, trust and respect for the law – carried out in the spirit of a fiduciary-type duty toward customers. That means keeping the customer's best interest at the heart of the business model and having a social responsibility toward maintaining market integrity.

A strong and positive culture can:



Reduce

The risk of misconduct



Strengthen

Asset quality



Promote

Innovation and new product development designed to serve customers



Diminish

The risk of regulatory scrutiny and the risk of related supervisory action and monetary fines, as well as diminish other potential costs, such as operating or capital charges



Enhance

A firm's reputation with:

- Customers/clients (who perceive the firm to be looking out for their interests)
- Employees and management (who have an alliance with a positive corporate citizen)
- Shareholder
- Regulators (who perceive the firm to be less risky, i.e. more "safe and sound").



Attract and Retain

Highly qualified talent that similarly values a strong positive culture behaviour, and reduce counter productive behaviour and employee turnover



Protect

The life of the brand

It embodies the ethics of reciprocity (treating others as you yourself would wish to be treated) at all points of interaction between a firm and its customers, and between the employees of the firm. This would foster an environment that is conducive to timely recognition, escalation, and control of emerging risks and risk-taking activities that are beyond a firm's risk appetite. A strong and positive culture can help address some of the challenges, as shown in the diagram.

Culture is a complex but highly valuable asset for organizations operating in competitive markets such as the State of Qatar. It is therefore important to observe, monitor and change their culture over time to support the successful realization of the organization's vision and strategic priorities. The focus here is on the risk culture of a firm and related behavior, and not on all other aspects of corporate culture.

Questioning culture

Given the current industry challenges, it is the right time for Qatari banks to ask themselves some fundamental questions about their desired culture and values and how these are reflected across their organization.

In order to set up the tone of culture within a financial institution, we believe that the board members and senior management, as the leadership of their organizations, are directly responsible for establishing and maintaining their firms' culture.

Regulators consider that to restore or maintain public trust it is imperative that each firm implement business strategies that place the interests of customers (retail, commercial, and wholesale) and the integrity of the markets ahead of profit maximization.

That is, they must conduct business in the 'right' way (right price, right allocation, right product, fair treatment followed by ongoing execution) – doing what they should rather than what they can. Beyond

this directive, limited regulatory guidance has been made available and firms are largely responsible for defining their own parameters of a 'good culture'.

Creating truly sustainable, ethical cultures may mean in some cases abandoning policies and practices that have served Qatari banks well in the past. This will require some tough decisions for banking executives, as they look to create the culture of their institutions for generations to come.

Culture change will take years, perhaps a generation. Decisions made by banking executives today have the potential to shape the future success of their institutions. The banking leaders of today have a unique opportunity to create a cultural framework that will last a lifetime. Only by grasping this opportunity can banks provide the basis upon which trust can be restored and maintained in the coming years.



Sustaining good corporate governance

The revised Code of Corporate Governance (revised Code) issued by Qatar Financial Markets Authority on 15 May 2017 has had, and will continue to have, a major impact on Qatar's listed financial institutions.

A strong corporate governance culture is regarded as one of the main pillars of maintaining and growing a

sustainable economy; Qatar's development agenda is focused on building a sustainable economy. And, as the banking industry has the ability to facilitate these vision goals, the regulators have begun to institute sweeping corporate governance reforms, with the aim of ensuring overall financial stability.

Regulators in Qatar have released guidelines on corporate governance, aligned to global leading practices. Some of the key areas addressed by the revised Code are:



Governance model

Listed companies, including listed banks, to comply with the principles of the Code, and in case of non-compliance for reasons accepted by QFMA, provide justifiable reasons for non-compliance in its annual report



Development of an Internal Control System

An Internal Control Framework will need to be formalized to assess the design and operating effectiveness of the Company's Internal Control Procedures on an annual basis. Procedures carried out on internal controls and failures observed are required to be disclosed appropriately.



Equality between stakeholders

The revised Code focuses on equality among Stakeholders, providing information to the Authority and Stakeholders at the right time and manner, Corporate Social Responsibility (CSR) and public interest.



Disclosures and governance report

Disclosures and governance report: The Governance Report will form an integral part of the Bank's annual report and must include necessary information such as:

- Procedures for implementing the principles and provisions of the Code
- Violations committed during the year including non-compliance with the provisions of the Code
- Information related to Board members and its Committees
- Risk Management (RM) procedures including procedures followed by the Company in determining, evaluating and managing risks
- Internal Controls procedures including any Internal Controls failures
- Information and performance assessment related to the work of the Board Committees
- Company's compliance with applicable market listing and disclosure rules and requirements
- Any conflict of interest and
- Transactions with related parties.



Board composition, involvement and remuneration

Emphasis on the composition and involvement of the Board of Directors (BOD) with clear responsibilities such as approving the strategic plan, setting rules and procedures for Internal Control (IC) and supervising them, etc. The revised Code requires the Remuneration Committee to formalize a remuneration policy and define limits for the remuneration of the Board Members.



While most of Qatar's banks have had good governance structures and have had relatively good governance reports included in their annual reports, there are a few areas that banks will need to improve upon.

One of the areas of focus is the quality and diversity of a bank's Board of Directors. Board members must collectively possess adequate expertise and a deep working knowledge of all key functions and businesses of the bank. Furthermore, their skill sets and expertise must be commensurate with the size, complexity and risk profile of the bank.

Most Qatari banks have had a well-defined and transparent board selection and nomination process. Qualifications, skills and experience requirements are discussed and agreed at the bank's board nomination and remuneration committee, prior to the appointment of a new candidate, to ensure the board collectively possesses a diverse set of skills. However the selection and appointment process for Board of Directors will now have to be further refined, formalized and disclosed appropriately to ensure compliance with the new regulations.

In addition to having a deep understanding of regulatory updates (such as VAT and IFRS 9), board members also need to understand emerging technologies such as FinTech, RegTech, blockchain, and

their potential disruption to their future banking operations and the financial sector in general. This may mean that board members will increasingly turn to independent, external experts for advice.

Senior management compensation practices are another focus area, particularly 'material risk takers'. Their compensation must be based on the performance of the bank and should account for their bank's risk profile and the risks' time horizon. Variable compensation for material risk takers is yet to be widely adopted by Qatari banks, large or small, to ensure alignment to risk profiles and time horizons. A few banks are, however, engaging external advisors to redefine their risk appetite and compensation packages or models, and to align themselves with the expectations.

These regulatory changes are likely to affect banking operations, as well as create demand for new financial products. Regulators will likely require banks to consider sustainability when making investment and lending decisions, when selecting clients and suppliers, and also introduce a myriad of new regulatory disclosure requirements. More than ever, banks need to be forward looking and ensuring that they are correctly positioned to comply with – and take advantage of – the changing regulatory environment.



Kashif Parvez
Audit

Kashif works within KPMG's audit practice in Qatar. He specializes in the audit of local and international banks, asset management firms and other Financial Services entities.

Managing digital transformation

The key to unlocking the real benefits of digital transformation – turning people into assets and empowering them for the firms’ digital future.

Contrary to popular belief, CEOs and other C-suite level management across Financial Services are not worried about the ever-evolving landscape of digital technologies, aligning their business models to the digital way of doing things or even the lack of discretionary budgets to invest in digital programs. They have realized that the key ingredient missing from their digital transformation agendas has been the unconditional acceptance and support of their employees that come from a change of mindset, upskilling and empowerment of staff to make digital a part of their day-to-day work.

Over the past few years, the focus of the digital revolution has primarily been on bringing the entry barriers down for new market players, launching innovative products and services and convincing businesses to co-exist with their non-conventional competitors. However, it’s becoming evident that the single biggest hurdle for any sort of digital transformation to go main-stream is to change the perception and mindset of stakeholders – people who are directly or indirectly involved in the Financial Services value chain as business owners, management, employees, developers, architects, end users etc. Its about time human capital development becomes a key pillar of digital transformation strategies.

Financial Services firms around the world in general, and the Middle East in particular, are taking keen interest in making an investment in state-of-the-art technologies. Modifying their business operating models and even focusing on their customers alone is not going to help them realize the true benefits of the digital revolution. They understand that it’s equally, if not more, important to focus on the development and enablement of



their people who are the key drivers behind any change. They need to turn their people into assets. This requires firms to equip their employees with the necessary training and skills to help them understand what this change means for them and how this can be applied to their business as usual operating model. They need to be educated to identify specific use cases within their domains that can be good candidates of digital implementation and look for the right set of disruptive technologies to get the necessary support.

We are seeing a number of interesting trends across the global FS sector where:

- some of our clients are acquiring smaller FinTech startups with an aim to make them the torch bearers of digital disruption and

culture change for the parent companies.

- some of our clients are forming new or joining existing consortiums of banks and insurance firms to jointly work on up-skilling their people; and
- some of our clients are setting up internal teams or innovation labs with existing employees and giving them the responsibility of changing the mindset of their colleagues and promoting digital innovation.

The objective of all these arrangements is the same – empowering people to decide their digital future and providing them with an innovation-friendly environment so they can realize the change digital revolution can bring.

In order to tackle this challenge of having the right set of skills and capabilities to encourage digital transformation, firms will need to bring their human resources and people development functions to the same table as CTOs, chief innovation officers and strategy leads. They need to collectively ensure that their employee recruitment and retention frameworks are aligned with the innovation agenda. This will require the firms to break traditional silos between business and support functions. CEOs across the financial sector recognize that skilled human capital is going to be the key differentiator when it comes to implementing a successful digital transformation program. They are also aware of the challenges around lack of awareness, limited budgets and intra-firm silos that can pose a serious question to their ability to tackle this.



Syed Javaid
Advisory

Syed has more than 11 years of experience working across the UK, US and the Middle East for global Financial Services firms. His primary focus has been on the retail banking, investment banking, asset & wealth management and insurance sectors.



Staying ahead of cybercrime

Cyber crime has become big business, with the global impact exceeding \$450 billion a year as crime, extortion, blackmail and fraud move online.

Cyber crime is displacing conventional crime. As our world has become digital, so has our money, and crime follows the money. Organized crime attacks the financial community as a whole, and criminals are becoming increasingly sophisticated in finding and targeting weak points across this community, supported by a black market in stolen personal information and in 'crime as a service'. Extortion attacks are also alive and well in the form of ubiquitous ransomware, while criminals now attempt protection rackets by threatening to carry out large-scale denial of service attacks against firms' online portals. Cyber criminals are demonstrating a growing knowledge of our financial systems and the potential weaknesses. There is a worrying trend towards more targeted attacks, with a growing knowledge of how these systems work and how to cash out.

It is perhaps time to ask ourselves what we, as a community, should do to stay ahead of those intent on committing cyber-attacks against the Financial Services sector. It isn't simply a question of spending more money on more robust security systems, this growing challenge demands new ways of working between government, law enforcement and the finance industry, but most critically a shift to new security models that are agile, responsive and focus on protecting customers against exploitation.

Financial institutions, as highly regulated entities, focus on controls, structures, processes and technology. The security response of firms must be managed through carefully controlled and audited control environments, delivered at the pace that this verification and accounting process allows.

One challenge the industry must address is not to see cybersecurity as merely a governance, risk and control issue, but as a matter of competition with a digital adversary.

In many respects, the way businesses approach identifying and harnessing

digital channels to market is much closer to the business models adopted by criminals. Businesses continuously evolve their market offerings, looking for new opportunities. They test new routes to market, and do so at pace in order to create competitive advantage.



The value of coordination and cooperation is increasingly seen as key to future cyber capability development. To effectively address the growing threat of cybercriminals, the Financial Services industry needs to work more effectively to make the cybercriminals' 'business model' less profitable; by reducing their revenue, increasing their cost base, or making their operations riskier.

To achieve this, the Financial Services industry, working with law enforcement and government, must build on existing work and initiatives, as follows, to better address these challenges:

- Reduce the success levels of the cyber criminals' attacks on firm's systems by improving security defenses across the community.
- Increase firm's ability to detect criminal activity. This would enable firms to block activity and respond more quickly to any security breach or data theft, reducing the time criminals are able to access systems and minimizing the window of opportunity to steal and exploit data.
- Disrupt the infrastructure used by criminals. This would help to render ineffective the markets, tools and systems used to conduct criminal activity.
- Better block the exploitation of stolen data – detecting data losses or compromises, and revoking stolen credentials or priming fraud controls, to detect the use of stolen data.
- Prevent cash-out and money laundering, further tailoring fraud and anti-money laundering controls to reduce the likelihood of the criminal group benefiting from their actions.
- Increase the risk to the criminals. This can be done through promoting cooperation and public-private partnership between governments, the private sector and across the law enforcement community, and will maximize the chance of arrest and prosecution.

Disrupting their business model

Improving security defences	Action to 'raise the bar' by improving security across the financial sector and supporting third parties
Improving detection	Legislative and regulatory reform to enable improved and automated community information-sharing and improved analytics linking cyber and fraud
Disrupting their infrastructure	Active defence measures by governments in concert with the private sector to deny criminals access to tools and infrastructure
Blocking exploitation of data	Improved links between fraud and cybersecurity disciplines, helping reduce the time window for exploitation
Preventing cash-out and monetisation	AML keeping up with new monetisation and cash-out channels to allow faster blocking and/or funds recovery
Increasing their personal risk	Collaboration with law enforcement and capacity building internationally, leading to more effective action

Increasing the cost of crime and reducing profit



Now is the time to act

Cyberattacks have the capacity to act as a drag on our economic growth, whether it be through loss of trust in our digital infrastructure or the direct losses that follow fraud and extortion.

We need to demonstrate an agility of approach and mind-set to counter growing cybercrime threat. We must be prepared to challenge our own security defenses using the mind-set of an attacker, be willing to harness diverse skills and innovation in the way we tackle security and avoid the trap of over-reliance on compliance-driven and inflexible approaches to such a rapidly changing threat.

Without action to address this threat as a community, we risk directed regulatory action that may ultimately prove counter-productive in reinforcing that compliance-driven and risk-averse culture. A culture which will ill prepare us to deal with a rapidly changing cyber threat.

Worst of all, that breakdown in trust risks disrupting the global financial community we all benefit from, and the services that we have come to take for granted.

We must ensure our approach to governance will enable the development of digital commerce delivering further benefits to society. New approaches and structures for leadership and management to counter cyber dependent and cyber enabled crime and subversive activity are required now.



Saqqaf Wadiwala
Technology & Digital
Advisory

Saqqaf has 18 years of experience helping organizations leverage Information and Digital Technology as a capability to drive their strategic priorities and create tangible business value.



Suhail Shaker
Technology & Digital
Advisory

Suhail has over 25 years of experience in consulting and technology delivery. He is a specialist in delivering large scale complex IT implementation projects.





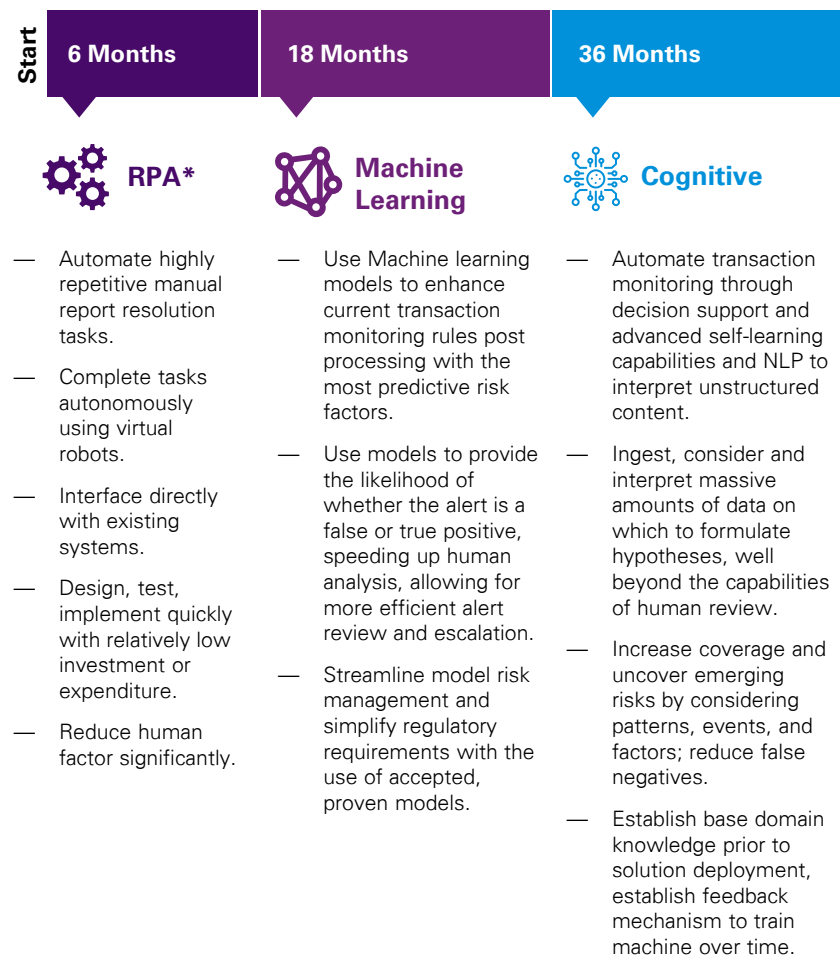
How AI is helping banks fight fraud

Anti-Money Laundering innovation today means considering new approaches, supported by technology, to help alleviate compliance problems and costs.

Levels of intelligent automation

Many terms, such as Intelligent Automation, have been floating around to describe the increasing role that technology is playing in organizations, ranging from robotics to machine learning to cognitive, or Artificial Intelligence (AI). For our purposes, we use the term Intelligent Automation (IA) to span the spectrum of innovation that can be brought to bear on Financial Crimes Programs today. The characteristics of each of these levels along the automation continuum is reflected below:

Intelligent automation continuum



When cognitive is integrated with RPA, this represents the mature state of IA on the spectrum.

**Robotics Process Automation*

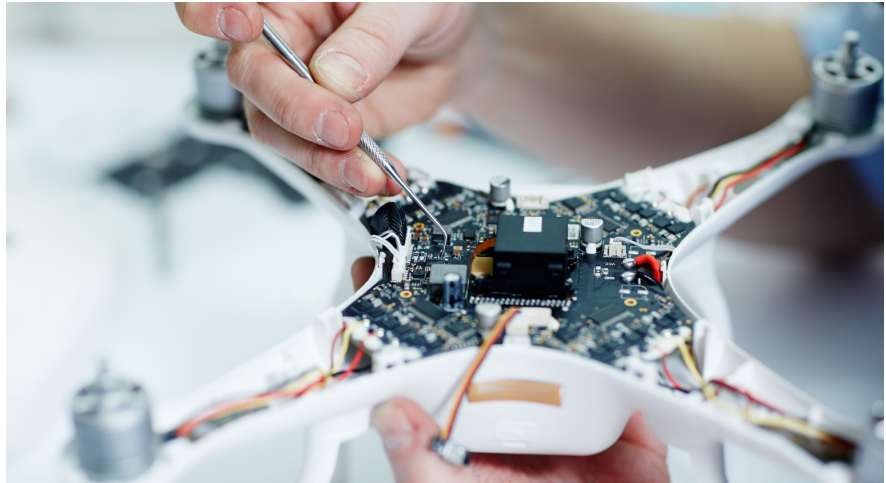
Drivers of change

Three primary drivers in particular are encouraging Institutions to integrate Intelligent Automation—regulatory scrutiny, cost pressure, and innovative competition.

Regulatory scrutiny – While in the past, Institutions have largely been able to address increasing regulatory scrutiny and the resulting fines and enforcement actions by adding head count, this is not a sustainable approach, particularly in a cost-cutting environment. With no signal that regulatory scrutiny will abate, Institutions are pivoting their compliance approaches to incorporate greater automation.

Cost pressure is also driving institutions to figure out how they can innovatively incorporate Intelligent Automation into their Financial Crimes compliance risk management activities. The drive for shareholder value that executive management and the Board of Directors require is uniquely felt by those trying to deliver under the high intensity scrutiny of the regulators. The question Financial Crimes Officers constantly face from internal stakeholders is “can you do more with less?” As a result, Financial Crimes Officers are increasingly seeking innovative ways to meet their compliance obligations and those of their Institutions.

Also, **innovative competition** is a growing challenge for many Institutions. Every Financial Crimes Officer dreads calls from business line leaders complaining that “You’re standing in the way of my doing business. Don’t you know that none of our competitors have all these onerous requirements?” In reality, that business line leader may have a point. Innovative competition is finding new ways to meet regulatory requirements without having such direct, sometimes intrusive impact on an Institution’s customers. It includes finding ways to enhance the customer experience all while meeting regulatory obligations. The Financial Crimes Officer must be an integral player in the innovation landscape at the Institution so as to meet the regulatory requirements in a way that differentiates the Institution from its competitors.



Integrate intelligent automation into financial crimes compliance

Three areas in particular within a Financial Crimes compliance program where Financial Crimes Officers may find that the various types of Intelligent Automation can help reduce costs and increase efficiencies and effectiveness are:

Transaction monitoring – Is a prime example of where financial crimes compliance can benefit from enhanced technology. Typical AML transaction monitoring platforms are designed to consider rules-based typologies and scenarios, which not only require constant tuning and updates, but, since they are typically more simplistic and rule-based, can fail to take into account a multitude of risk factors. This often results in a large number of false positives for humans to resolve.

Know Your Customer (KYC)-

Financial institutions devote substantial time and resources to performing KYC during onboarding and periodic review intervals. Depending upon the size of an Institution and its volume of new customers annually, Institutions may dedicate hundreds of hours per month to KYC tasks, often supplemented by contractors and consultants. Time investments for each customer typically range from a few hours for a low risk customer to upward of 24 hours for high risk customers.

KYC typically includes process steps for conducting external due diligence; screening customers and often related parties such as controllers and ultimate beneficial owners; clearing of identified negative news (which can be hundreds of pages of documentation

requiring review); and reaching out to the front office or intermediary team, often multiple times, to obtain requisite information that adheres to internal protocols to meet regulatory requirements. The same is true for each periodic review to be performed.

Compliance testing – Financial Institutions also invest significant time and resources in their Compliance testing of AML and sanctions controls. This can range from the testing of data feeds and systems validations to third-party vendor or outsourced processes and other internal processes. Since some of the tasks associated with testing are repetitive, Intelligent Automation can be a valuable tool here as well. Further, given that a machine is performing the tests, sampling becomes obsolete. The entire population can be tested, which eliminates the sampling errors.

Developing a strategy for your journey

To make a reasoned decision as to what class, or mix of classes, of Intelligent Automation to implement, financial crimes stakeholders first need to design an Intelligent Automation strategy for their financial crimes activities. This strategy should foundationally be built upon what investment the Institution is willing to make and the benefits sought, including a weighing of the risks potentially involved, and the level of efficiency and agility desired. It is important that the Intelligent Automation strategy be aligned with the size and scope of the Institution and its risk tolerance.

For certain Institutions, cognitive may not be warranted, at least not today or in the immediate future.

The strategy should also take into account any lessons the Institution has learned from their previous “technology waves” and knowledge of their existing current state, particularly of their data capabilities. Financial Crimes Officers need to work with their business and Information Technology partners to develop a strategy and then continually evaluate that strategy through its implementation.

Beware of automation compliance pitfalls

A transparent and easily explainable Intelligent Automation framework, regardless of the level of complexity, is imperative when automating financial crimes compliance activities. It provides a foundation of information to educate senior management, as well as regulatory agencies, about how the Institution is integrating automation into the program activities, and to ensure automation efforts align with the Institution’s risk tolerance. This transparency should extend not only to the models and algorithms that will predict outcomes, but also to the risk factors that provide the data to make those predictions as well.

In addition, Financial Crimes Officers ought to be wary of ‘black box’ solutions that are offered by many technology vendors.

These solutions can have pre-defined risk factors that may not align to the Institution’s risk profile, as well as needlessly complex or proprietary algorithms that can hinder the ability to effectively document and explain to stakeholders.

Fundamentally, every decision and action that an Institution undertakes to automate financial crimes compliance activities must be completely auditable and rationalized in “human-readable” language so that all outcomes are fully understood and can be justified against any scrutiny. Using the example of transaction monitoring, every time an alert is flagged as a likely false positive, a Financial Crimes Officer must be able to

easily uncover the reason why the model made that determination. The inability to do so will not only potentially expose the Institution to additional risk, but will make it harder to support the conclusions made by the models and subsequent actions taken.

Conclusion

Financial Institutions in Qatar cannot afford a failure to innovate, especially in view of the regional political and social landscape that demands greater vigilance and scrutiny. Whether stemming from political dynamics, regulatory scrutiny, prohibitive labor costs, or innovation competition, Financial Institutions need to take a step back from their historical approach to managing their financial crimes compliance and evaluate how and to what level they will invest in Intelligent Automation to achieve the greatest impact.



Shankar Krishnan Risk Advisory

Shankar has 19 years of experience in providing solutions for financial crime prevention. His primary focus has been on risk, internal control and corporate governance advisory services for clients in various service sectors.





The future of Islamic finance

The demand for Islamic finance is growing substantially, creating opportunities for experts to enhance industry standards and develop market-leading innovative solutions. Regulatory reforms and FinTech are key accelerators.

Islamic financial assets were estimated to be valued at USD 2 trillion⁵ in 2018, and are expected to grow in excess of 30% over the next two years to reach USD 3.9 trillion by 2023². Some of the fastest growing economic hubs include the Gulf Cooperation Council (GCC) region, Indonesia and Turkey. Muslims constitute approximately a quarter of the world's population³, and are expected to grow to 29.7% by 2050⁴. Research indicates, however, that there is a significant opportunity worldwide to include Muslims in the formal financial system, and Islamic finance is also an attractive alternative for non-Muslims.

Islamic finance has become widely accepted in global financial markets with sukuk (Shari'ah-compliant bonds) issuance totaling USD 78 billion worldwide during 2018¹. Sukuk issuance is expected to recover during 2019 and is expected to surpass an all time high of USD 93 billion by 2020 and possibly sooner if oil prices remain moderate.

With significant growth over the last 30 years, Islamic finance is well established as an alternative finance offering in global markets. As the sector matures, however, there are a number of areas requiring attention in order to sustain and accelerate this growth. These include regulatory reforms, standardization and innovation.

Developments in these areas would unlock the full potential of Islamic finance and encourage adoption within both Islamic and non-Islamic nations.

Towards compliance

External Shari'ah audits can address the last challenge. Compliance with

Shari'ah is the backbone of the global Islamic financial industry and a unique value proposition offered by the industry to its stakeholders.

Generally, internal Shari'ah auditors have the task of providing assurance over whether the financial institutions' activities are performed in accordance with the rules set by the institution's Shari'ah board. While this model has provided an additional layer of control, details are not typically disclosed to the public.

The Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) and the Islamic Financial Services Board (IFSB) has already made significant strides in enhancing standards. Some local regulators have implemented more robust governance frameworks and several have created a central Shari'ah authority.

We believe greater Shari'ah governance efforts will be high on the agenda of regulators as the industry becomes systemically important in certain countries. This will in turn increase the credibility of the industry and boost stakeholder confidence.

Towards standardization

A prerequisite for faster growth with Islamic Finance is inclusive standardization, the standardization of Shari'ah interpretation and legal documentation that factors in the requirements of all the stakeholders.

Standardized Shari'ah interpretation and legal documents would boost the industry's growth by clarifying risks for investors, streamlining the sukuk issuance process, and creating extra scope for innovation.

The main challenge facing Islamic finance is the variety of Shari'ah regulations between countries, and even within each country. Although Islamic financing regulators, such as the AAOIFI and the IIFSB, have been very active in recent years, differences still exist. These different interpretations of Shari'ah rules slow down growth.

If the Islamic finance marketplace is to achieve a measure of global unity as regards its legal framework, the standards should be harmonized. At present, basic transactions, including sukuk issuance, can be complex and time consuming due to a lack of standardized legal and Shari'ah documentation. This is made more challenging by the fact that different markets may have different definitions of what is and is not Shari'ah-compliant. Which means Shari'ah documentation cannot be easily applied across borders. The process of issuing a sukuk should be as straightforward as issuing a conventional bond but this is not usually the case at present.

Towards innovation

The global Financial Services industry has seen unprecedented change brought about by three core technological drivers, all linked closely to the fourth industrial revolution – automation, disintermediation and decentralization. Young, digitally native customers are the main stakeholders driving change, and startups are responding – there are now over 12,000 startups globally, with FinTech investments reaching USD 57.9 billion in the first half of 2018²

1. https://www.moodys.com/research/Moodys-Global-sovereign-sukuk-issuance-to-recover-in-2019-PBC_1162325, 2. <https://www.dinarstandard.com/wp-content/uploads/2018/12/Islamic-Fintech-Report-2018.pdf>, 3. <http://guides.library.cornell.edu/IslamAsiaExhibit/MuslimPopulations>, 4. <http://www.pewresearch.org/fact-tank/2017/01/31/worlds-muslim-population-more-widespread-than-you-might-think/>, 5. <https://www.gulf-times.com/story/596054/Islamic-finance-industry-assets-surpass-2tn-mark>.

FinTech can also unlock new avenues for growth and enhance the security of transactions. Crowdfunding is a potential source of growth especially for SME financing and other risky exposures where banks might not necessarily have the appetite to tap. Blockchain technology can help banks conduct their operations in a more secure way. Finally, regulatory and Shari'ah compliance can benefit from the Regtech industry.

The Islamic Finance Industry holds much promise, with assets expected to reach USD 3.9 trillion by 2023 according to Thomson Reuters, however, Islamic FinTech is at the very beginning of an exciting, transformative journey for the industry, one still dominated by largely domestic and Organization of Islamic Cooperation (OIC) financial institutions. A young, digitally native Muslim demographic that is on average younger than the world's non-Muslim population, is driving the growth of Islamic Finance.

The first digital Islamic Bank was established as the digital banking arm of Bahrain-based Gulf International Bank (GIB) in 2015, followed by the setup of Insha GmbH by Turkey based AlBaraka Banking Group in Germany. While a handful of Islamic Banks have introduced some aspects of digital banking with massive investments in financial technology, the rest of the Islamic Banks in the region are yet to catch up with the pace of digital revolution in the banking industry.



Mahmood Zelaikh
Audit

Mahmood has over 12 years of experience in providing audit and advisory related services to the Financial Services sector. He has led the audits of retail, wholesale, Islamic banks, investment banks and funds.



About KPMG in Qatar

KPMG has had a presence in Qatar for over 40 years. We opened for business here in 1978 and are now one of the largest and most established professional services firms in the country. Our 300-strong team are led by 9 Qatar-based partners. We recruit the best and brightest from around the world and currently employ over 30 different nationalities.

KPMG in Qatar belongs to a network of independent member firms affiliated with KPMG International. With over 207,000 professionals, led by over 10,500 partners worldwide, our network allows us to bring together subject matter experts from around the globe to form international teams, with deep insight to tackle your most complex challenges.

By choosing KPMG, our clients can be confident that they will be working with professionals who combine

global insight with local knowledge to develop custom-designed services that deliver real value. We help you to make better decisions, reduce costs, find partners, raise funds, build a more effective organization, and develop appropriate technological strategies to help you realize your business' potential.

Industry focus across Qatar


To enhance the services that we offer, many of our consultants specialize in a particular field or industry. KPMG was the first of the 'Big Four' firms to establish global, industry-focused networks which help us to provide an informed perspective on the latest trends and issues affecting our clients' businesses. In Qatar, we have professionals across most of the country's key sectors, all of whom are active members of our global networks.

Our industry groups include:

- Government
- Energy and Natural Resources
- **Financial Services**
- Media, Telecommunications and Technology
- Building, Construction, Infrastructure and Real Estate
- Family-owned Businesses and Small and Medium-sized Enterprises


40


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300

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Audit


153

Connectivity to 153 KPMG practices worldwide





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Advisory



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