



Invest in experience. Financial services in Bahrain

 **EDB** BAHRAIN
ECONOMIC DEVELOPMENT BOARD

BUSINESS
friendly
BAHRAIN



Be at the heart of the opportunity

A regional financial services base in Bahrain will put you at the centre of one of the most potent concentrations of wealth on the planet.

You will be at the focal point of the Gulf Cooperation Council (GCC), a region that is expected to be valued at USD 2 trillion by 2020, as well as the wider Middle East and North Africa (MENA) area.

And you will be on the doorstep of Saudi Arabia, the GCC's biggest economy, worth USD 653 billion, and growing.

Many international financial institutions have recognised and embraced this opportunity. For them, Bahrain is the natural location of choice. Set up in Bahrain and you will be firmly at home among peer-level organisations and important bodies.

Welcome to Business Friendly Bahrain.

Who is here

International banks include: Bank of China, BNP Paribas, Credit Suisse, Citi, HSBC, ICICI, JPMorgan Chase, Maybank, Standard Chartered, State Bank of India, Bank of Tokyo-Mitsubishi, Daiwa Securities Bahrain, Nomura Investment Banking, Korea Exchange Bank, Woori Bank.

Middle Eastern banks Ahli United Bank, Arab Bank, Arab Banking Corporation, BBK, National Bank of Kuwait, Gulf International Bank, The Saudi National Commercial Bank, Kuwait Finance House, Mashreq Bank, National Bank of Abu Dhabi.

Operate from a powerful financial hub

Bahrain provides a compelling case for financial institutions wanting to establish a regional base. You will join a centre of excellence that is established and thriving.

Size and scale

Our 40-year experience means that we have more licensed financial institutions and registered and domiciled funds than anywhere in the region. Specifically, that is 403 institutions and 2,885 authorised funds.

Financial services are core to the Kingdom's already highly diversified economy. The sector is second only to oil and gas in contributions to Bahrain's real GDP. At around 16%, this is comparable to markets such as Singapore and Hong Kong. What is more, the sector grew on average by 5% from 2005 to 2015.

Robust regulation

Bahrain's high regulatory and supervision standards bring the reassurance of security and certainty. In addition, our conservative policies help prevent problems arising from excessive borrowing and high-risk investments.

The Central Bank of Bahrain (CBB) has regulated Bahrain's financial system since 2002. Widely regarded as one of the region's most advanced supervisors, the CBB continuously enhances a tried-and-trusted regulatory framework that meets international best practice, and plays a leading role in achieving regional standardisation.

It monitors loan-to-deposit ratios in the banking sector to ensure the system remains stable and well supplied with liquidity, intervening when necessary to avoid build-up of risk. The CBB also keeps an active watch on exposure to real estate and other important economic sectors, again to minimise risk.

Regulation: further examples

- No banking dividends to be paid on undeclared profits
- Effective control of capital adequacy ratios (12%, versus an international 8%)
- Firm rules on counterparties
- Proper risk management, compliance and internal audit

Bahrain's financial services: the detail

Institutions	
25	Islamic banks – 6 retail, 19 wholesale
36	Insurance firms – 25 local, 11 overseas
51	Investment firms
79	Conventional banks – 22 retail, 57 wholesale

Ancillary service providers & specialised licensees	
2	Micro-finance institutions
3	Fund administrators
3	Trust service providers
6	Card processing service providers
6	Payment service providers
8	Financing companies
19	Currency exchanges
29	Other specialised licensees

Capital markets	
1	Clearing, settlement and central depository system
2	Exchanges
4	Securities brokers
6	Securities clearing members
13	Securities broker-dealers

Authorised funds	
8	Locally-incorporated Private Investment Undertaking (PIUs)
36	Islamic local CIUs
47	Conventional local Collective Investment Undertaking (CIUs)
2,794	Offshore funds



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“ Meeting CBB regulations, has allowed us to be a much more rounded organisation, with a much better resource base, giving us a platform for growth as time goes on. ”

Andrew Sims, Director & CEO of NEC Payments

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❖ Strong regional potential

From Bahrain you will be able to do significant banking business across the GCC, especially with Saudi Arabia and Kuwait.

The GCC alliance itself is producing dividends. Member states are now working closely together to take advantage of regional opportunities. This is accelerating and Bahrain is a major beneficiary, particularly for banking and related financial services.

As Bahrain, Qatar, Kuwait and Saudi Arabia explore scope for a single currency, the CBB is participating in meetings of the GCC Committee for Banking Supervision, and is developing banking sector rules and regulations to achieve the objectives of monetary union.

❖ Convenient market access

Bahrain's location will enable you to gain from increasing regional integration in trade and business, and the inherent advantages for financial services.

You will find that our strategic position in the Gulf makes it quick and easy to reach other financial centres. At the same time, we offer the region's best connectivity, with extensive, air and sea links. It takes just half an hour to drive to Saudi Arabia, and less than an hour to fly to most GCC hubs.

Work with the right people, in the right environment

Bahrain is markedly pro-business. You will discover this from the quality of our financial services employees, through to the ease and cost-effectiveness of operation here. In fact, we believe nowhere is more supportive.

❖ A skilled workforce

The region's most highly-skilled bilingual workforce is open to you, with professionals fully experienced in financial services. The workforce is young, motivated and growing at around 3% year, and is a driving force behind Bahrain's sustained financial services success.

Financial services employ more than 14,000 people, of whom 62% are Bahraini and 35% are women, giving you access to a substantial talent pool. Moreover, Bahrainis are proficient in written and spoken English, making international communication easy.

❖ Highly educated

Bahrain's commitment to education and training means that our financial services employees are among the region's best. As well as taking finance-centric university degrees, many Bahrainis train at specialist schools such as the Bahrain Institute of Banking and Finance (BIBF), which attracts 20,000 participants from all sectors of the economy. The BIBF has qualified more than 200,000 people over the last three decades and provides training to students from across the GCC and Middle East.

In addition, Tamkeen, a government agency that focuses on private sector enterprise and the employability of Bahrainis, offers programmes that have benefited over 100,000 domestic businesses and individuals.

❖ A liberal economy

It is genuinely simpler to do business in Bahrain. Not only do we have a healthy dislike of bureaucracy; our economy is consistently rated as the Middle East's most liberal and is the world's 18th freest¹.

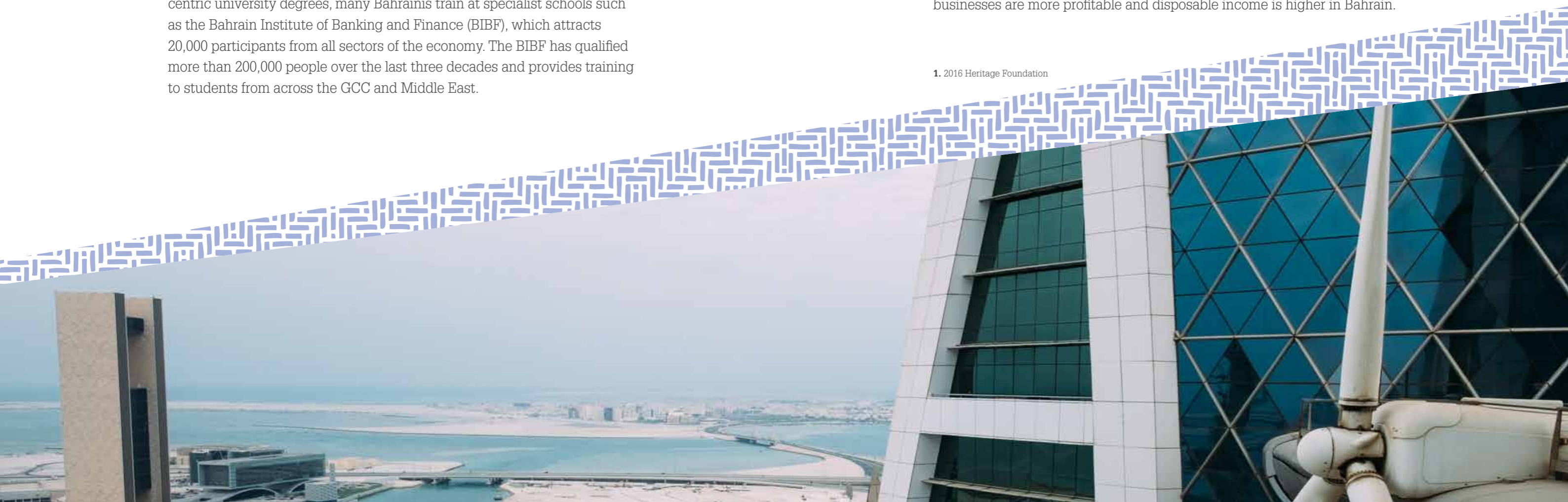
For you this means advantages such as 100% foreign ownership. We are the only GCC state to permit freedom across all sectors and without restrictions such as ring-fencing within free zones, as the whole of Bahrain is effectively a free zone. In addition, to strengthen your bottom line, you may repatriate all capital, profits and dividends.

❖ Enjoy cost-competitive operations

Bahrain's supportive stance goes further, with the region's most competitive operating costs – for instance, it is around 30% cheaper to run a financial services firm here than in Dubai or Qatar, with commercial rent, internet and telephone services all more affordable. Bahrain also has the lowest real estate and employment costs in the GCC.

Add the fact that we have the Gulf's most favourable tax regime – you will pay no corporate or personal income taxes – and it is easy to see why businesses are more profitable and disposable income is higher in Bahrain.

1. 2016 Heritage Foundation



Discover Bahrain's strengths, sector by sector

Bahrain offers a distinctive mix of financial sectors, all developing strongly. We think your business will find the perfect fit.

Banking

Banking has been a foundation of Bahrain's economy since the Kingdom established the Gulf's first dedicated banking sector in 1970.

Today, there are 104 licensed banks, while total banking assets have reached USD 189.1 billion.

Bahrain continues to attract local and international institutions who want to capitalise on significant growth in regional demand across the full spectrum of banking services.

Reasons for growth

Bahrain's banking industry has expanded thanks to the support of an open-market economy, stable and prudent macroeconomic and fiscal policies, and a highly capable, well-qualified local workforce. However, two further factors are key:

Regulation. Bahrain's rigorous, comprehensive regulatory framework is both consultative and in line with international standards. Set by the region's most highly-regarded single regulator, the CBB, it is proven to ensure long-term stability.

Liquidity. Alongside regulation, high liquidity levels mean that Bahrain's banking sector is cushioned against global downturns and adverse events such as the 2008-11 global financial crisis. All locally-incorporated banks exceed the CBB's stringent capital adequacy requirements.

A varied landscape

Locate your regional office in Bahrain and you join a rich tapestry of local and international banks, both conventional and Islamic. Together, these banks provide financial products and professional services to retail, wholesale and private wealth clients. And their influence extends beyond Bahrain – many locally-incorporated banks have branches or subsidiaries in other countries throughout the Middle East, Asia, Africa, Europe and USA.

Strong prospects

A surge in infrastructure development is driving demand for more sophisticated structured finance and lending. More than USD 22 billion is being invested in major projects over the next few years, such as in real estate, airport expansion and aluminium production. In addition, trade finance is increasing, with the GCC's participation with world markets through Free Trade Agreements.

Private banking

The region's affluent middle class continues to grow, creating personal wealth and fuelling demand for private and retail banking services. In parallel, there is an increasing need to provide for the new breed of entrepreneurs with venture capital and innovative methods of financing.

Bahrain was quick to identify these trends. The Kingdom passed a Trust Law in 2006, enabling private banks to broaden their approach to wealth management by offering services such as trusts and succession planning, family offices and investment advisory services. These laws are continually reviewed and modernised to meet current standards.

In 2007, the CBB introduced a new licence category to encourage firms to set up operation in Bahrain. Its Collective Investment Undertakings framework now provides a platform for High Net Worth Individuals (HNWIs) to gain onshore access to hedge funds, derivatives and other alternative investment instruments.

It is clear that Middle East private banking remains attractive, with inflows continuing to climb and profitability rising.

Private banking growth trends

Gulf private wealth grew by 7% in 2012

GCC investable assets rose to USD 2.19 trillion in 2012

Regional private banking assets grew by 18% in 2012

MENA managed private banking assets reached USD 5.2 trillion in 2013



Islamic finance

Bahrain is recognised as the global leader in Islamic finance. We set the benchmark early for Islamic banking regulation by establishing the Bahrain Islamic Bank in 1978, and have nurtured the concepts, rules and standards of Shari'a compliance ever since. In this way, we are able to cater for the needs of both mainstream Islamic finance and the new breed of FinTech entrepreneurs who offer Shari'a-compliant products.

Global influence

The Kingdom is home to the world's highest concentration of Islamic finance institutions. There are 25 in all covering almost every aspect of Islamic banking, and accounting for USD 25.1 billion of assets under management in December 2015 – more than 13% of the Kingdom's total banking assets.

Bahrain has attracted professional bodies and associations, such as Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), General Council of Islamic Banks and Financial Institutions (CIBAFI) and International Islamic Financial Market (IIFM), that set global Islamic finance standards, as well as various centres of excellence and research.

We host two key Islamic finance events each year – the World Islamic Banking Conference and World Islamic Funds Conference – both attended by senior Islamic financial experts. In addition, Bahrain advises more than 30 countries around the Muslim world in setting up their Shari'a banking structures.

As a result, ICD-Thomson Reuters ranks Bahrain the GCC's most developed Islamic finance centre and second worldwide.

Continuing innovation

Thanks to the CBB, Bahrain has pioneered many popular financial instruments, such as short-term government sukuk (Islamic securities), which are regularly oversubscribed.

In the last year, Bahrain announced the first Shari'a-compliant stock market index and the region's first supervisor board at the CBB, as part of a drive to enhance standardisation.

Other Islamic finance initiatives include creating a money market framework, developing liquidity, strengthening Bahrain's 'Shari'a Basel II' and developing the Kingdom as a centre for Islamic FinTech, as well as providing further education and training.

❖ Insurance and Reinsurance

Bahrain's insurance and reinsurance industry is structured to make the most of regional growth and covers four key 'dimensions' – insurance and reinsurance, conventional and Islamic – as well as captive insurance.

The sector tripled in size between 2003 and 2012, due largely to an increase in the purchase of general insurance, such as medical and life.

Many international insurers have made Bahrain their Middle East base. Currently there are 36 licensed insurance companies, eight of which offer Shari'a-compliant insurance (Takaful Islamic insurance) and reinsurance (Retakaful) products. An increasing number of conventional insurance companies, including Allianz and Hannover, have added Takaful arms.

Demand has been increasing for engineering insurance, where gross premiums increased by 17% in 2012-13 alone. In addition, as the GCC relies heavily on reinsurance (including Retakaful), particularly for large infrastructure and development projects, Bahrain is fast becoming a major regional hub. With five conventional and two Retakaful firms, and specific regulations covering operation and solvency, gross premiums increased by around 8% 2012-13.

A global Islamic finance pioneer

- 1991** First World Islamic Banking Conference
- 1994** Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) established in Bahrain
- 2001** Bahrain was first in the world to implement Islamic finance regulations, launch sukuk and establish a general council for Islamic banks and financial institutions
- 2002** Bahrain establishes IIFM
- 2005** First in the world to develop Takaful and Retakaful regulation
- 2006** Waqf Fund established to support industry development
- 2008** CBB launches short-term, Islamic liquidity management instrument
- 2010** Deloitte launches Islamic Finance Knowledge Center (IFKC)
- 2011** Thomson-Reuters establishes Islamic Centre of Excellence
- 2014** EDB signs MoU with ICD to promote Islamic Finance in SME development



Bahrain's strengths, sector by sector

Financial support services

Bahrain enables financial support firms to service institutions in major GCC centres such as Dubai, Doha, Abu Dhabi, and especially Saudi Arabia.

Funds industry

The Middle East offers significant opportunities, with sizeable growth in the 'mass affluent' category, in addition to the institutional and HNWI market.

To service this category, the Kingdom has had a thriving funds industry since the launch of its first Bahrain-domiciled fund in 1984. Today, Bahrain has the largest range of registered funds – 2885 – of which 83 are Bahrain-domiciled and 36 Islamic funds.

Drawn by Bahrain's proven track-record, formal regulation and disclosure, and constantly developing funds regime, international funds managers are choosing to locate here and build their Middle East operations.

Investment and capital markets

In the Bahrain Bourse, the Kingdom provides the GCC's most open capital market. It was established in 1989 and recently privatised.

The Bourse has 17 active brokers who operate on an automated trading system (ATS). Clearing, settlement and the central depository system are also automated and there is a framework for sound risk management and internal control.

The Bahrain Bourse is a success. The market began margin trading in 2014, with a framework for traders to boost liquidity. By 2015, market capitalisation was USD 23.1 billion, with 43 companies, nine bonds (conventional and Islamic) and 21 mutual funds listed on the Exchange.

Microfinance

In January 2014 Bahrain became the first GCC country to launch regulations specifically tailored for microfinance institutions. Bahrain currently has two microfinance institutions licensed by the CBB – EBDAA Bank and Family Bank, a Shari'a-compliant institution.

Across these markets, businesses are increasingly building back- and mid-office support, but not necessarily in the same location as their regional front office.

At the same time, disruption in some traditional markets for these services has opened up opportunities. You can take advantage of these thanks to Bahrain's unparalleled market access, local expertise and advanced ICT infrastructure. Indeed, with our help, several major entities, including Citi, Standard Chartered and Gulf Air, have established local contact centre operations.

FinTech

Bahrain is already acknowledged as a FinTech hub, thanks to our high level of support for entrepreneurs.

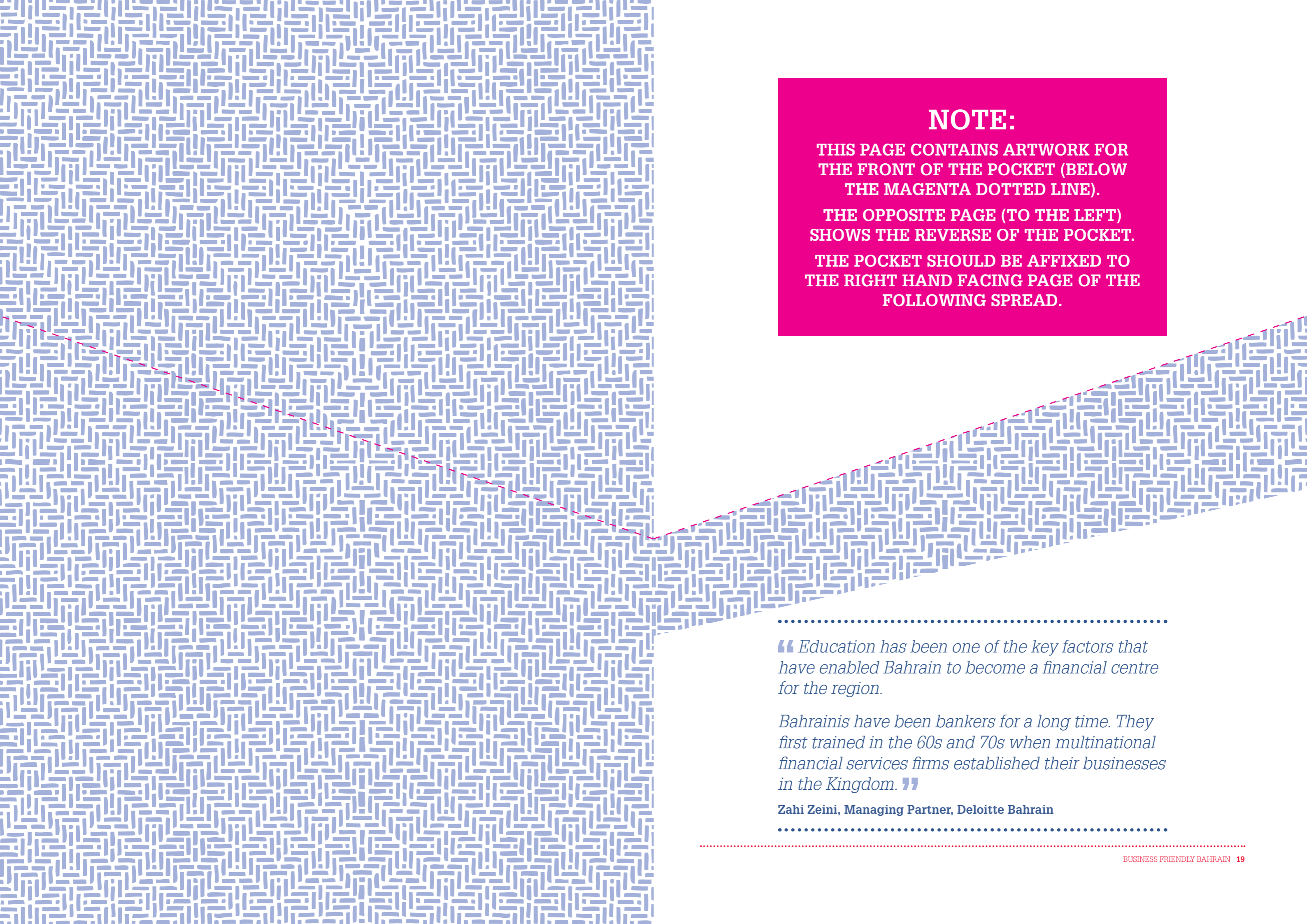
Leading-edge technology businesses are attracted to the Kingdom as a domestic and regional base to pursue their FinTech strategies, and are increasingly setting up here. Particular strengths are beginning to emerge, with clusters of companies established in card and mobile payment processing, and in third-party administration (TPA).

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“ We found that there are a good number of well qualified people coming out of university here that are not only happy to work, but really work hard as well. ”

Andrew Sims, Director & CEO of NEC Payments

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“ Education has been one of the key factors that have enabled Bahrain to become a financial centre for the region.

Bahrainis have been bankers for a long time. They first trained in the 60s and 70s when multinational financial services firms established their businesses in the Kingdom. ”

Zahi Zeini, Managing Partner, Deloitte Bahrain

Contact the Bahrain EDB: We make entry easier

As part of a no-cost practical facilitation service for first-time investors, our sector specialists can help analyse factors such as costs, infrastructure, workforce requirements, regulatory, legal and tax issues, market opportunity and ease of registration.

In addition, we can act as your first point of contact in the Kingdom and discuss incentive packages to make setting up even more attractive. We strive to understand your objectives and respond efficiently with all the information you need to get up and running.

Who we are

The EDB is a dynamic public agency responsible for attracting inward investment into Bahrain.

The EDB works with government and both current and prospective investors to enhance Bahrain's investment climate, communicate its key strengths and identify opportunities for further economic growth.

How to get in touch

For all investment enquiries, please email us at investorenquiries@bahrainedb.com or visit www.bahrainedb.com. You can also call us on +973 175 89 999 for general enquiries. Our business hours are Sunday to Thursday, 8am to 4pm (GMT +3hrs).



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For more information on the Kingdom of Bahrain, visit www.bahrain.com

