

Marmore First Take

Bursa Kuwait Initiates Second Phase of Market Development

April 2018

Highlights

- Transition essentially began with the Boursa Kuwait Company taking charge of the operations of the bourse. The first phase that started in May, 2017 focused on reconstruction of the infrastructure and development of a new market by introducing market making regulations, enhanced post trade model, T+2 settlement amongst others, following which Boursa Kuwait was upgraded to emerging markets status in September 2017.
- Boursa Kuwait started the implementation of the second phase of market development from April 1, 2018. It encompasses transformational changes such as a three-tiered, segmented market, and the introduction of new market-capitalized indices as well as new listing requirements. The changes are targeted to enhance the market liquid, increase transparency and disclosures. The second phase developments are in tandem with the improvements required by MSCI market accessibility parameters and would enhance the possibility of inclusion in the MSCI Emerging Market index.
- Boursa Kuwait has introduced new Indices replacing earlier ones such as Kuwait Price Index & Kuwait 15 Index. The Boursa Kuwait has segmented the market into following three distinct categories based on liquidity and market capitalization:
 - Premier Market
 - Main Market
 - Auction Market
- Market segmentation will enable the investors to distinguish between different issuers listed in the Exchange on qualitative and quantitative properties.
- The premier market index includes 16 companies that are relatively large and have high liquidity. The index currently account for over 63% (KWD 17.8 Billion) of the market capitalization of listed companies in Kuwait. It will be the primary indicator of Kuwait equity market replacing Kuwait 15 index. The listing to Premier market also requires the company to mandatorily disclose financials in both Arabic and English.
- Main Market Index on the other hand currently constitutes of 147 companies that make up 36.6% (KWD 10.4 Billion) of the total market capitalization. The only requirement for the Main markets is to achieve and maintain the minimum liquidity threshold as set by the Boursa Kuwait on the annual review.

- The auction market contains the least liquid companies of the market that do not qualify for either the Premier or the Main market because of their low liquidity levels irrespective of their market capitalization. Currently there are 13 companies classified under Auction market. The three market segments are mutually exclusive and collectively exhaustive.
- Earlier in 2017, FTSE Russel classified Kuwait as an emerging market, with implementation due from September 2018. The inclusion is expected to draw \$826 million to Kuwaiti stocks.

Market Segmentation filters for companies

	2016 (Year 1)	2017 (Year 2)
Total Traded Value (Annually)	KD 2.88 Billion	KD 5.72 Billion
Trading Days	247	249
2-Year Annualized Turnover Ratio	14.12%	15.51%
Minimum Market Cap for Premier Market	KD 119 Million	KD 144 Million
Minimum Liquidity (ADTV) for Premier Market	KD 68,000	KD 90,000
Minimum Liquidity (ADTV) for Main Market	KD 17,000	KD 22,500

Source: NBK, Boursa Kuwait

ADTV: Average Daily Traded Value

Turnover Ratio = Value of Share traded/ Avg. Market Capitalization

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About marmore

Our vision

To be the first choice for obtaining strategic intelligence on the MENA region.

Our mission

Serving businesses and institutions with reliable information and intelligence about MENA, needed to catalyse growth, understand the larger environment and facilitate decision-making.

Our aim

Advocate intellectual research on MENA economies, businesses and financial markets and provide customized, actionable solutions.

Our foundation

- A subsidiary of Markaz: Investment bank and asset management firm with 40+ years of history
- Markaz research activities commenced in 2006
- Marmore established in 2010 to intensify the research activities
- Publishes research reports and provides consulting services

Consulting services

Marmore provides customized consulting services based on specific requirements of our clients. Marmore's bespoke consulting services marries the challenges of cost, time, scope and data availability to generate actionable outcomes that are specific to our clients' needs.

What type of consulting services we provide?

- Industry market assessment (market size, competitors, regulations)
- White label reports (industry reports, company newsletters, periodic research)
- Databases (competitors' information, target clients insights)
- Company valuation (buy/sell side advisory)
- Due diligence / Business evaluation
- Feasibility studies (market and financial)
- Business plans
- C-Suite support to leaders with intellectual, industry related needs

How do we execute consulting engagement?

Our seven step process to execute consulting engagements:

- Step 1: Requirement and scope analysis
- Step 2: Proposal submission
- Step 3: Project initiation
- Step 4: Fieldwork / research
- Step 5: Analysis & reporting
- Step 6: Review & approval
- Step 7: Report submission / presentation

Published research

Industry research

Marmore's industry reports provide information on industry structure, key players, market analysis, demand drivers, competitive analysis and regulatory requirements.

Economic research

These reports are produced as thematic discussions based on current issues in the economy. The reports aid key stakeholders such as investors, businessmen, market participants, and policy makers in understanding the impact of a particular theme on the economy.

Infrastructure research

Infrastructure research highlights bottlenecks in the sector and areas requiring urgent investments. Our infrastructure report analyses the link between economic development and infrastructure and showcases supply & demand challenges in the GCC and investment opportunities.

Capital market research

Capital market reports provide an analysis of stock & bond markets in the MENA region including outlook. These reports are strategic in nature and provides investment perspective to readers.

Policy research

Marmore has partnered with several leading thought leaders and institutions of repute to generate economic policy research studies in key areas like energy, labor, economic structure and public sector.

Periodic research

Our periodic reports capture GCC stock markets' earnings, risk premium studies, and economic development & outlook.

Regulatory research

Our regulatory research series is an effective consolidation, analysis and summary of key business, economic, and market regulations that impact business environment.

