Qatar Islamic Finance Report 2025

Expanding Horizons

مركز قطر للمال
Qatar Financial Centre

LSEG DATA & ANALYTICS

مركـــز قطـــر للمـــال
Qatar Financial Centre

GROW YOUR ISLAMIC FINTECH BUSINESS IN QATAR AND BEYOND WITH A PRESENCE AT QFC

QATAR FINANCIAL CENTRE: COMMITTED TO FACILITATING THE SEAMLESS INTEGRATION OF FINTECH AND ISLAMIC FINANCE

ESTABLISH YOUR FINTECH FIRM AT THE QFC AND BENEFIT FROM:

- 100% FOREIGN OWNERSHIP
- 100% REPATRIATION OF PROFITS
- COMPETITIVE TAX SYSTEM
- USE QFC TECH-CIRCLE AS YOUR REGISTERED ADDRESS
- WORLD-CLASS JUDICIAL SYSTEM BASED ON ENGLISH COMMON LAW
- TRADING IN ANY CURRENCY
- BENEFIT FROM A CO-WORKING SPACE
- ACCESS TO QFC CLIENT & BUSINESS SUPPORT

With QFC, you can accelerate business growth in the region, while becoming part of Qatar's swift expansion into a major trade and investment hub.

Get in touch today

+974 4496 7777
info@qfc.qa
www.qfc.qa

Contents

FOREWORD

Qatar's Islamic finance industry has demonstrated resilient growth over the past five years. Despite economic uncertainty and volatility across global financial markets, Islamic finance assets in Qatar grew at a compound annual growth rate (CAGR) of 6.4% between 2020 and 2024. This resilience has largely been due to Qatar's regulatory prioritisation of maintaining stability in the financial system by ensuring frameworks are in place to withstand the impact of global risks and encouraging above-minimum compliance with regulatory requirements.

Moreover, hosting the World Cup in 2022 significantly boosted Qatar's non-hydrocarbon sectors, which in turn furthered economic diversification and accelerated growth in the Islamic financial services sector. Islamic banks, in particular, have played a crucial role in financing the private sector, contributing to the country's overall economic development.

Qatar's financial sector embarked on a new phase in its development in 2023 with the launch of the Third Financial Sector Strategic Plan, which aims to achieve a CAGR of 4.7% between 2023 and 2030. The sector is set to be shaped by innovation and continuous enhancements in efficiency and investor protection. The plan emphasises the vital role of Islamic finance in the sector's development, establishing it as a cross-cutting theme across the plan's strategic pillars. This will ensure that clear frameworks are in place to enable innovation in Islamic financial products, raise awareness, and increase visibility.

We at Qatar Financial Centre (QFC) have been working diligently with our regulatory and international and local industry partners to develop an ecosystem conducive to financial innovation. Developing capital markets and FinTech verticals has been a key priority for us. We have introduced regulatory frameworks for professional investor funds, sustainability bonds and sukuk, and derivatives, aiming to broaden investment opportunities in Qatar's capital markets and align them with international financial hubs. We have also been laying the foundations for a cutting-edge ecosystem for digital assets over the past couple of years. In 2023, we launched the QFC Innovation Dome, which encompasses the QFC Digital Assets Lab and the QFC Metaverse, supported by the Digital Assets Framework issued in 2024. We are also exploring establishing a QFC Digital Assets Venture Studio in the near future.

These initiatives, among others, have garnered interest from both financial institutions and FinTechs from outside Qatar. Last year, we welcomed Wahed, one of the world's largest Islamic FinTechs, which set up its new regional office at QFC. We are also welcoming leading international and regional VC funds that are setting up operations in QFC to tap opportunities in Qatar's burgeoning VC market, which has been boosted by the Qatar Investment Authority (QIA) Fund of Funds. The increasing availability of venture capital is already attracting new FinTech startups to Qatar, further enhancing our value proposition.

This in-depth report presents the current Islamic finance landscape in Qatar, highlighting key developments and regulatory initiatives over the past five years and providing insights into emerging trends for each of its segments. The report also evaluates the progress Qatar's Islamic finance industry has made towards achieving the objectives of the Financial Sector Strategic Plan and positioning the country as a leading hub for financial innovation and Islamic finance. Along with this report, we are launching the QFC Sukuk Guidebook, developed in collaboration with Dentons, to spread awareness of the nuances of sukuk and help potential issuers navigate the sukuk issuance process.

YOUSUF MOHAMED AL-JAIDA

Chief Executive Officer & Board Member Qatar Financial Centre Authority

EXECUTIVE SUMMARY

Qatar is a key player in the regional and global Islamic finance industries, using its strong financial infrastructure and strategic initiatives to promote growth and innovation. The country's flourishing Islamic finance industry makes up 27% of total financial system assets, hosting two of the region's largest Islamic banks.

Economic growth and diversification have been strong drivers of the development and expansion of Islamic finance in Qatar. With a boost from hosting the FIFA World Cup in 2022, Qatar's diversification efforts have significantly shifted its economic structure, with non-oil sectors contributing 64% to real GDP by Q3 2024, a rapid rise from 39% in 2013. The financial sector's contribution also rose, from 5% to 8% of real GDP.

Qatar's strategic prioritisation of the financial sector is integral to its economic diversification efforts, supported by world-class infrastructure, competitive tax policies, and progressive regulatory reforms. The Third Financial Sector Strategic Plan, launched by the Qatar Central Bank (QCB) in 2023, aims to position Qatar as a regional leader in financial innovation. The plan places a strong emphasis on Islamic finance, which is integrated into each of its four central pillars: banking, insurance, digital finance, and capital markets. Supplementing this plan, the QCB launched the Qatar FinTech Strategy in 2023 and ESG and Sustainability Strategy in 2024, emphasising the importance of technological advancements and sustainable finance in achieving a competitive and well-rounded regional hub.

By the end of 2024, Islamic finance assets in Qatar had reached QAR 694 billion, with Islamic banking and sukuk contributing 97% of that figure. Despite challenges from the Covid-19 pandemic, the sector grew at a robust compound annual growth rate (CAGR) of 6.4% between 2020 and 2024. Recent regulatory efforts have focused on modernising the Islamic finance industry, particularly through FinTech. International collaborations with organisations such as the Islamic Financial Services Board (IFSB) and the International Islamic Liquidity Management Corporation (IILM) have also bolstered Islamic finance in Qatar as they enhance the country's regulatory frameworks and liquidity management. Additionally, bilateral partnerships with Malaysia and Türkiye have strengthened Qatar's role in the global Islamic finance ecosystem.

Islamic banking assets in Qatar reached QAR 586 billion by the end of 2024, growing at a CAGR of 6.8% since 2020, which outpaced growth for conventional banks. This was driven by credit growth in sectors including construction, hospitality, and retail, boosted by the 2022 FIFA World Cup, and reduced borrowing costs in late 2024. The merger between Al Rayan Bank and Al Khalij Commercial Bank also contributed to the sector's growth. Islamic banking constituted 29% of Qatar's total banking assets in 2024, with Qatar Islamic Bank and Al Rayan Bank holding over 68% of these assets.

Recent regulatory developments, including Basel III reforms and enhanced corporate governance rules, have strengthened the stability and governance of Qatar's banking sector. The government's economic diversification efforts have presented significant growth opportunities as they leverage the dominance of private sector credit in Islamic banks' financing books. Additionally, leveraging FinTech partnerships and open banking initiatives will drive digital transformation and innovation in the Islamic banking sector going forward, while expanding sustainable Islamic banking offerings will support Qatar's decarbonisation and just-transition efforts.

Qatar's takaful sector has also shown significant growth and resilience, with gross written contributions (GWC) reaching $1.9 billion by the end of 2024. Driven by rising demand for Shariah-compliant financial products, supportive regulatory frameworks, and economic development, takaful's share of total premiums nearly doubled from 6% to 11% between 2020 and 2024. Key business lines include family/life and health, motor, and property insurance, with family and health takaful experiencing the highest growth due to mandatory health insurance requirements introduced in Qatar in 2022 and 2023.

The QCB has introduced several regulations to enhance governance and risk management, including cybersecurity measures and updated rules for insurance intermediaries, fostering a more robust and transparent insurance sector. Additionally, the wave of mergers and acquisitions in the GCC takaful sector presents significant opportunities for Qatari takaful companies to expand their market presence and diversify their portfolios. The rise of InsurTech is also enabling specialised niche insurance offerings, with technological innovations such as AI and blockchain enhancing efficiency, customer experience, and cost savings. These advancements position Qatar as a potential InsurTech hub.

Ranked eighth in the 2024 Global Islamic FinTech (GIFT) Index, Qatar's Islamic FinTech market has grown substantially, with transaction volumes tripling from QAR 3.1 billion in 2020 to nearly QAR 10 billion in 2024. Projected to expand at a CAGR of 10% through 2028, this growth is being driven by a robust regulatory environment, strategic investments, and increasing consumer demand. Wahed's expansion and strategic investment from Qatar Development Bank (QDB) highlight Qatar's commitment to becoming a leading Islamic finance hub.

The establishment of the Qatar FinTech Hub (QFTH) and the Qatar FinTech Strategy are aimed at fostering innovation and growth. The QCB has introduced regulations covering AI and distributed ledger technology (DLT), supporting digital banks, insurers, and intermediaries. Meanwhile, the Qatar Financial Centre (QFC) is developing a digital assets ecosystem through the QFC Innovation Dome, which will position Qatar as a leading hub for digital assets.

The rise of e-commerce, digital-only Islamic banks, and blockchain technology presents significant opportunities for FinTechs in Qatar. Hosting the first Web Summit in the region in 2024 further solidifies Qatar's position as an innovation hub, with outcomes such as the Qatar Investment Authority's (QIA) $1 billion Fund of Funds expected to drive VC investments in the FinTech sector.

Qatar's sukuk market saw modest growth between 2020 and 2024, with outstanding value increasing from QAR 80.4 billion to QAR 91.3 billion, representing a CAGR of 3%. Despite this, sukuk issuance from Qatari issuers surged, from QAR 9.2 billion in 2020 to QAR 30.4 billion in 2024, driven primarily by sovereign sukuk.

Regulatory and structural reforms such as updated margin trading rules, the establishment of EDAA, and the QE Venture Market have boosted market infrastructure and investor protection. New frameworks for derivatives, sustainable bonds and sukuk, and professional investor funds are diversifying investment opportunities. Treasury sukuk have extended the domestic yield curve, aiding corporate issuance and liquidity management for Islamic banks.

Qatar's Islamic capital markets are poised for growth, with several emerging trends and opportunities. The expansion of Shariah-compliant ETFs is being driven by increasing investor demand for cost-efficient and transparent investment options. The introduction of treasury sukuk has extended the domestic yield curve, encouraging corporate issuance and providing liquidity management tools for Islamic banks. Additionally, the rise of ESG capital markets and the integration of blockchain technology into sukuk issuance present significant prospects for growth. The QIA Fund of Funds programme further supports the development of the local venture capital ecosystem, positioning Qatar as a regional hub for sustainable finance and innovation.

Country Overview

Post-World Cup growth

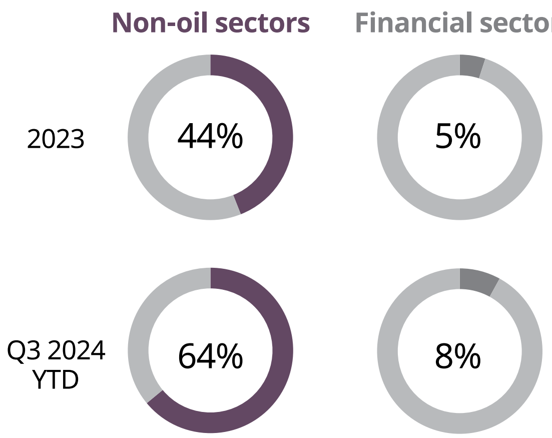
2022
Real GDP 4.2%
Non-oil sector growth boosted by hosting World Cup

2023 – 2025
Real GDP 1.2% - 1.9%
Normalised growth, maintained at a modest level

2026 – 2027
Real GDP 5.8% - 7.9%
Accelerated growth driven by expanded LNG production, reforms, and tech innovation

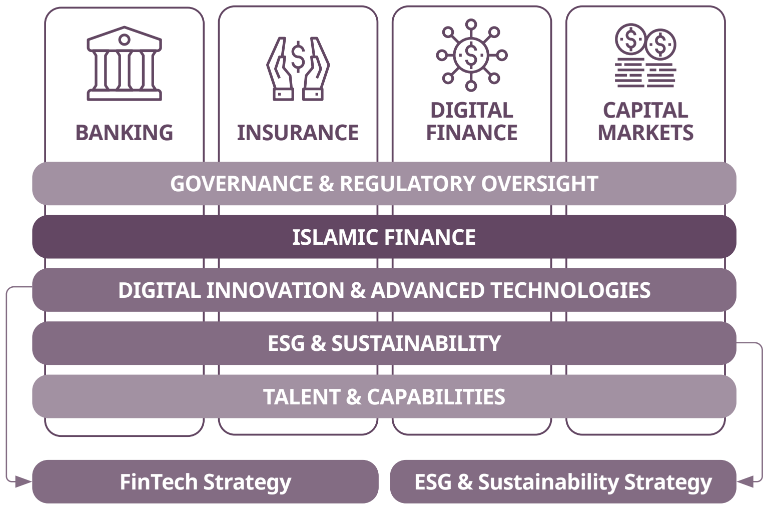
Economic transition fostering diversification

Contribution to real GDP



Strategic prioritisation of the financial sector

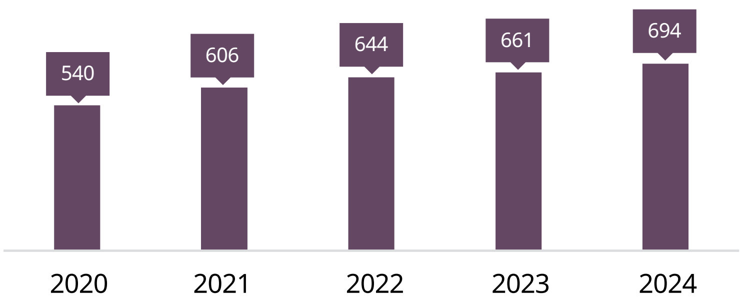
Third Financial Sector Strategic Plan 2023



Islamic finance landscape

Islamic finance assets 2020 - 2024

QAR billion



27% Share of financial sector assets (2024)

6.4% CAGR 2020-2024

Sector breakdown of Islamic finance assets 2024

% of Islamic finance assets

FROM PANDEMIC CONTRACTION TO POST-WORLD CUP GROWTH

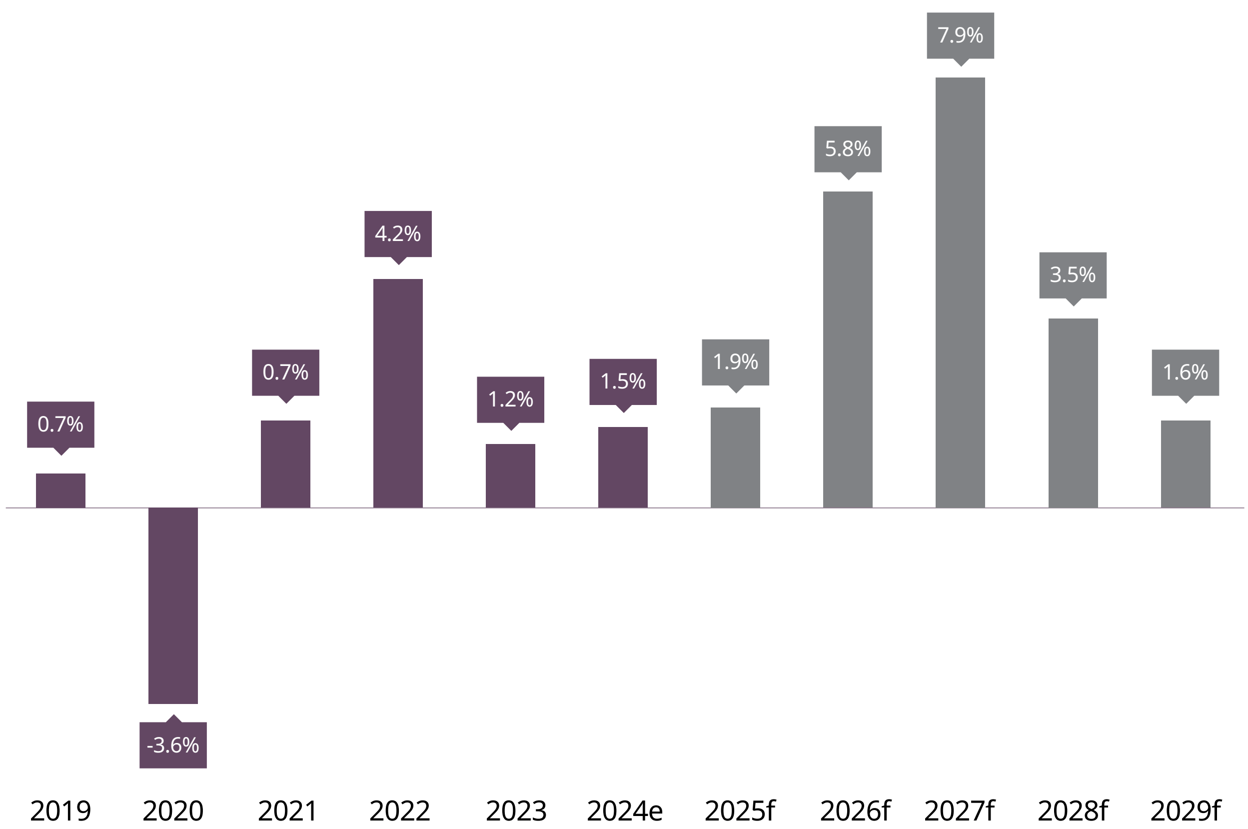
Qatar's economy fluctuated significantly between 2020 and 2024, influenced by both global events and domestic policies. Real GDP contracted by around 3.6% in 2020, mainly due to reduced global demand for hydrocarbons and the impact of lockdown measures. The economy rebounded in 2021 with a growth rate of 1.6%, driven by a recovery in global energy demand and the easing of pandemic-related restrictions.

The momentum continued in 2022, bolstered by Qatar hosting the FIFA World Cup, with real GDP growth reaching 4.2%. This event significantly boosted sectors such as tourism and hospitality, infrastructure, retail, media, and logistics. These sectors benefited from increased demand, major investments, and global visibility during the event. Growth normalised to 1.2% in 2023 as the impact of the World Cup waned and global economic conditions stabilised. The slowdown was further influenced by reduced hydrocarbon demand and ongoing global economic uncertainties.

The IMF estimated economic growth in Qatar increased marginally to 1.5% in 2024, with slower growth momentum expected to extend into 2025. The slower growth is attributed to reduced hydrocarbon demand, ongoing global economic uncertainties, and inflationary pressures.

Real GDP growth in Qatar | 2019 - 2029

% of real GDP



***Source**: IMF World Economic Outlook, October 2024*

QATAR'S ECONOMIC TRANSITION AND FOSTERING DIVERSIFICATION

Economic diversification in Qatar is paving the way for a more resilient economy and sustainable growth. While the transition involves significant investments and adjustments, these efforts are laying the foundation for long-term stability.

Qatar has experienced a significant shift in its economic structure over the past decade.

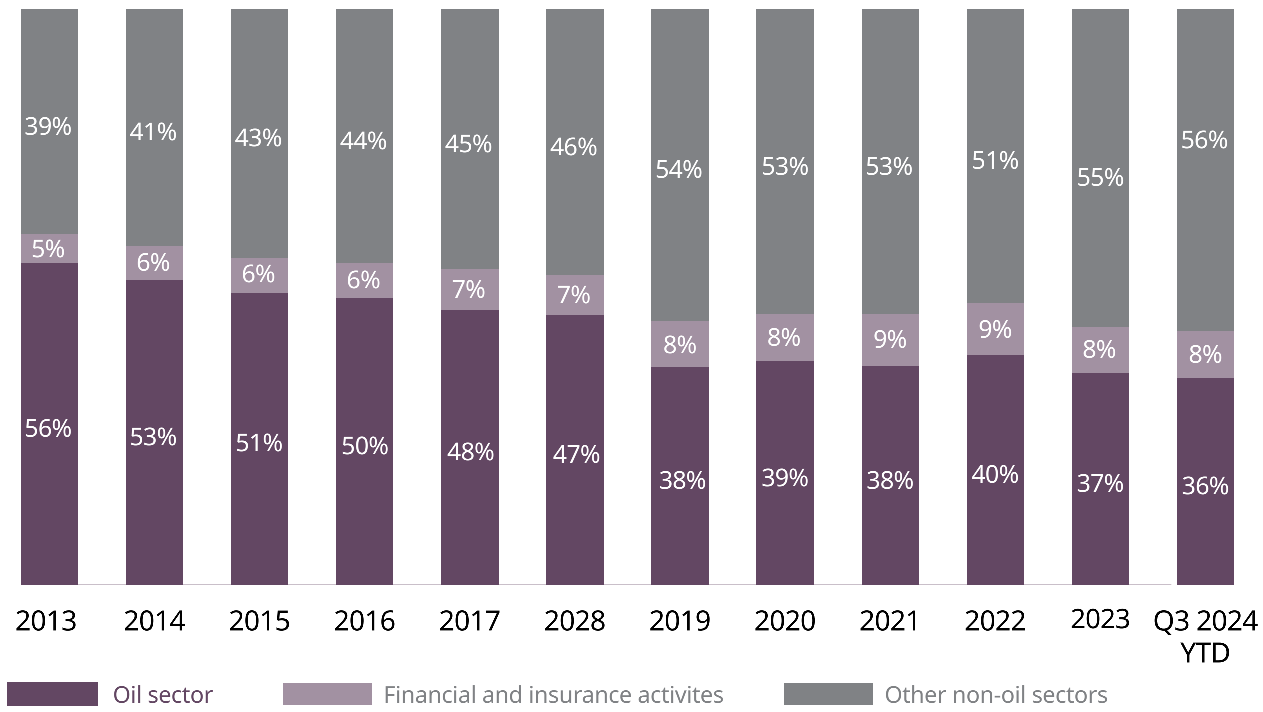
Non-oil sectors have shown remarkable growth. In 2013, non-oil sectors contributed around 44% to the country's real GDP.

This share has progressively increased, reaching 64% as of Q3 2024. This growth can be attributed to investments in infrastructure, tourism, and other non-oil industries, particularly driven by events like the 2022 FIFA World Cup.

The financial sector has also seen a gradual increase in its contribution to GDP, which rose from 5% in 2013 to 8% by Q3 2024. The implementation of the Third Financial Sector Strategic Plan from 2023 aims to further enhance this sector's role as it promotes innovation and efficiency.

Sector contribution to Qatar's real GDP | 2013 - Q3 2024

% of real GDP



Source: *National Planning Council, Qatar*

The financial sector has also seen a gradual increase in its contribution to GDP, which rose from 5% in 2013 to 8% by Q3 2024.

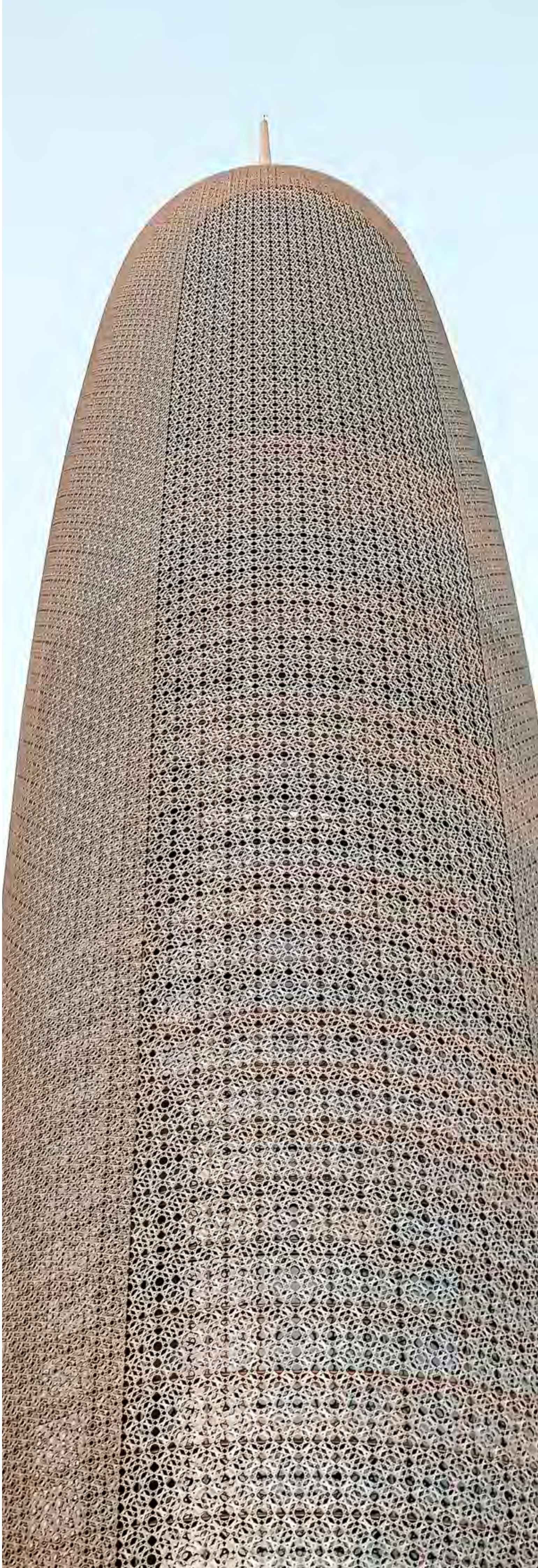
QATAR'S ECONOMIC OUTLOOK: EMBRACING DIVERSIFICATION AND STRATEGIC REFORMS

The economic outlook for Qatar is promising, with several key developments shaping its trajectory. Economic growth is expected to remain modest through 2025, accelerating to a high of 7.9% in 2027, according to IMF projections. This growth will be driven by the expansion of liquefied natural gas (LNG) production, initial reform gains from implementing the Third National Development Strategy (NDS-3), and the adoption of innovative technologies.

The expansion of LNG production including the North Field South (NFS) LNG project, is a cornerstone of Qatar's economic strategy. With production starting in 20206, increased LNG output will not only boost export revenues but also support growth in related industries and infrastructure development. This expansion is expected to enhance Qatar's position as a leading global LNG supplier, providing a stable revenue stream that can be reinvested into other sectors of the economy.

Meanwhile, NDS-3 will continue to drive sustainable economic growth by diversifying Qatar's economy beyond hydrocarbons, fostering innovation, and creating a business-friendly environment. The focus on developing the private sector will continue, supported by world-class infrastructure and international events. Initiatives in manufacturing, logistics, tourism, IT, and financial services will reduce reliance on hydrocarbons and create new revenue streams.

Technological innovation and investment in cutting-edge technologies will also play a crucial role in Qatar's economic transformation. By embracing digital transformation and fostering a culture of innovation, Qatar aims to enhance productivity, create high-value jobs, and attract international investments. A focus on artificial intelligence (AI), clean energy, and smart infrastructure aims to position Qatar as a leader in the global innovation landscape.



STRATEGIC PRIORITISATION OF THE FINANCIAL SECTOR IN DIVERSIFICATION DRIVE

Qatar hosts a conducive business environment for financial institutions, providing world-class infrastructure, a competitive tax framework, and progressive regulatory reforms. A key value proposition for Qatar as a financial hub is its strategic prioritisation of financial services at the policy level.

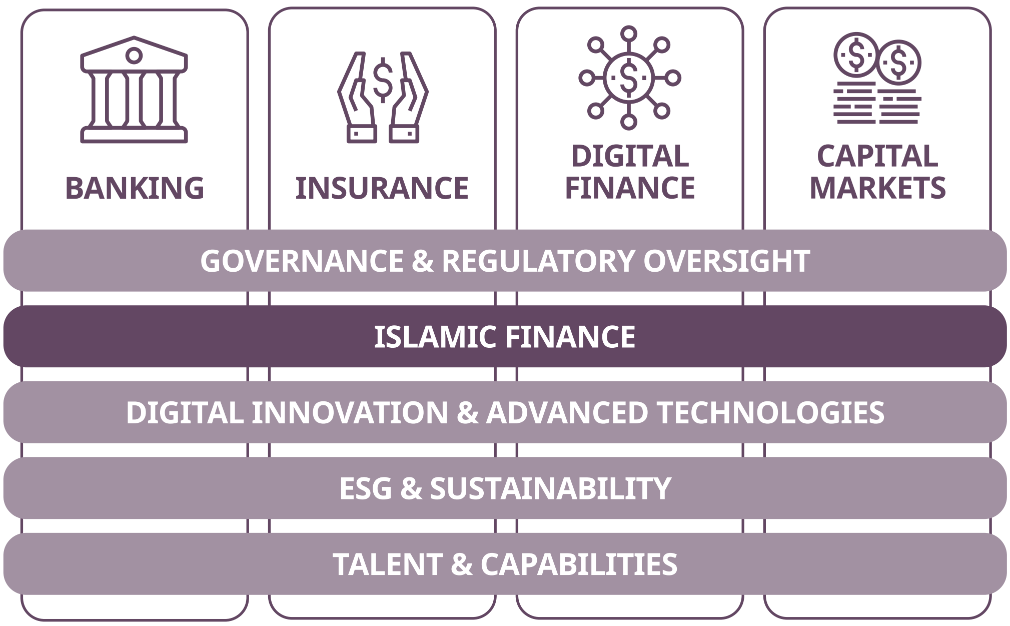
Financial services are integral to Qatar's National Vision 2030 and the NDS-3, which emphasise economic diversification and investor-friendly initiatives. In particular, NDS-3 supports the development of financial services through innovation, efficiency, and regulatory oversight, targeting niche specialisations such as InsurTech, asset management, and capital markets.

THIRD FINANCIAL SECTOR STRATEGIC PLAN: A BOOST FOR ISLAMIC FINANCE

The Qatar Central Bank (QCB) unveiled its Third Financial Sector Strategic Plan (FSSP) in 2023, aligning with Qatar National Vision 2030 to unlock the country's full economic potential. The plan is designed to position Qatar as a regional leader in financial innovation, efficiency, and investor protection, with a strong emphasis on the development of Islamic Finance.

The plan is built on four strategic pillars: banking, insurance, the digital financial ecosystem, and capital markets. Islamic finance is integrated into all these areas as a cross-cutting theme, aimed at providing clear direction, supporting the development of innovative Islamic products, and promoting awareness of Islamic financial services.

Third Financial Sector Strategic Plan: Pillars and cross-cutting themes



Banking: The overarching goal for the banking sector is to enhance financial stability and promote innovation in financial services. In the context of Islamic banking, the plan aims to create a competitive and innovative environment that enhances Shariah-compliant financial services. It focuses on increasing public awareness and fostering a competitive environment for Islamic banks.

Insurance: The primary objective for the insurance sector is to develop a diverse and resilient insurance market. For takaful, the strategy includes developing a robust regulatory environment, encouraging the creation of diverse and innovative takaful products. It also aims to spread the culture of Islamic insurance in society.

Digital finance: The key focus for the digital finance sector is to foster innovation and digital transformation across financial services. For Islamic FinTech, the plan emphasises the integration of advanced technologies in Islamic finance, supporting the growth of Islamic FinTech solutions. It aims to foster innovation and digital transformation within the Islamic finance sector.

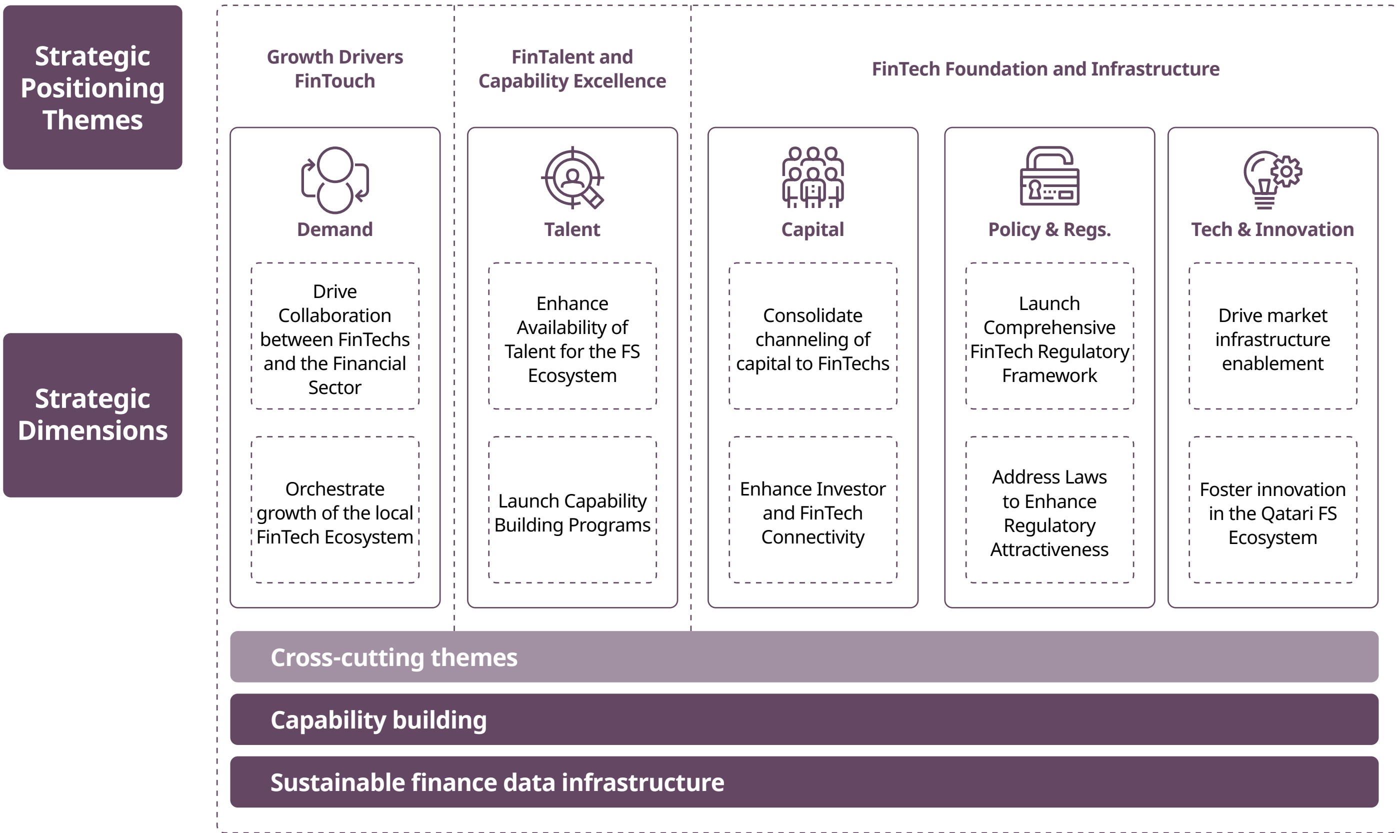
Capital markets: The main aim for the capital markets sector is to strengthen market infrastructure and enhance investment opportunities. In terms of sukuk and Islamic funds, the plan seeks to position Qatar as a leading hub for Shariah-compliant investment opportunities by improving market infrastructure and regulatory oversight. It aims to promote the development of Islamic investment funds by enhancing regulations and encouraging the creation of diverse Shariah-compliant investment opportunities. These initiatives support the issuance, trading, and growth of both sukuk and Islamic funds.

FINTECH AND ESG STRATEGIES WILL DRIVE ISLAMIC FINANCE INNOVATION AND GROWTH

As part of the FSSP, the QCB has developed two pivotal strategies: the Qatar FinTech Strategy and the ESG and Sustainability Strategy for the Financial Sector. These strategies serve as cross-cutting themes within the plan, driving innovation and sustainability within Qatar's financial ecosystem.

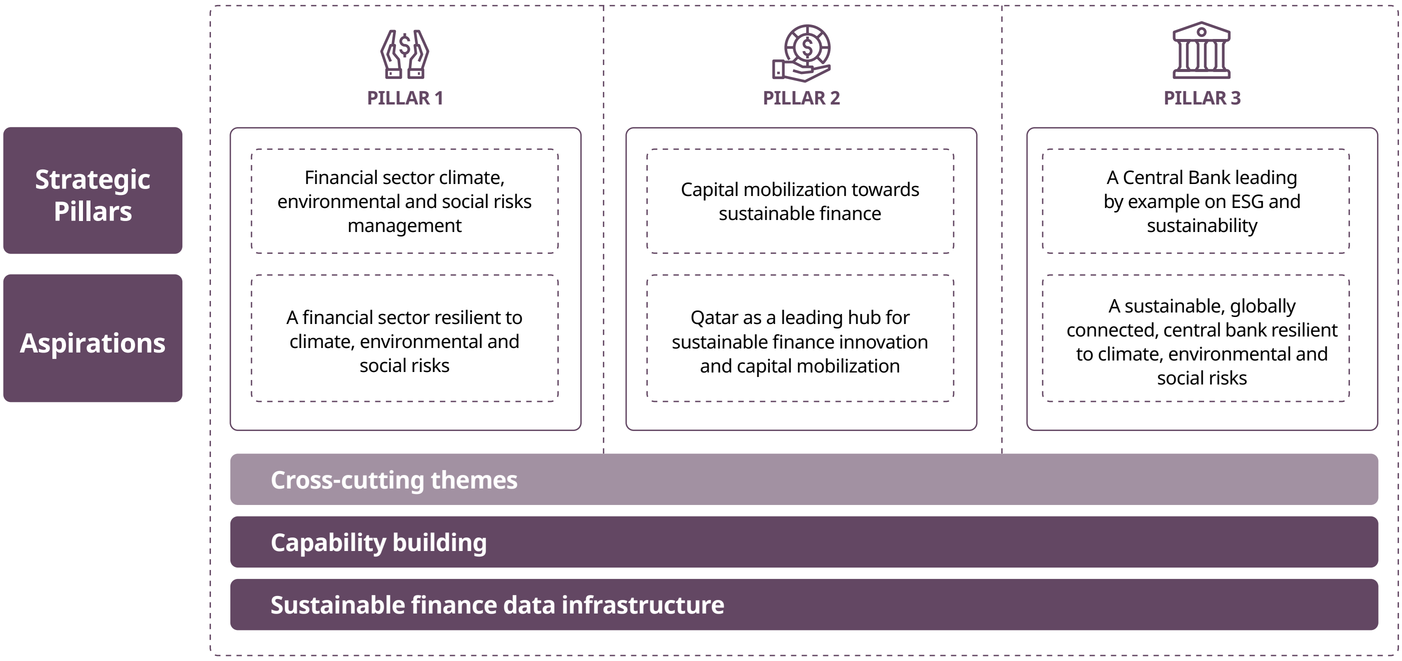
The Qatar FinTech Strategy, introduced in 2023, aims to create a pioneering infrastructure, prioritize innovation, and enhance the competitiveness of Qatar's FinTech sector. The framework is expected to encourage competition and drive technological advancements in banking services, ultimately benefiting consumers through improved service delivery and product offerings. The initiative will position Qatar as a regional hub for FinTech, attracting investments and talent in this burgeoning sector.

QCB FinTech Strategy key pillars



In June 2024, the QCB unveiled its ESG and Sustainability Strategy for the Financial Sector, focusing on managing climate and ESG risks, mobilising capital towards sustainable finance, and embedding sustainability within the QCB's operations. By enhancing the financial system's capacity to support national sustainability goals, this initiative fosters resilience amid economic transitions.

QCB ESG and Sustainability Strategy for the Financial Sector key pillars



The synergy between both strategies will also be vital in positioning Qatar as a leader in sustainable finance, which will encourage the development of innovative financial products aligned with ESG principles, such as green loans and sukuk. A range of financial technologies can be leveraged to enhance risk assessment, ensure transparency, enable regulatory compliance, and develop new financial solutions that contribute to creating innovative ESG financial products.

With government backing, Islamic financial institutions in Qatar are well-positioned to lead in sustainable financing and investment, aligning with the UN's Sustainable Development Goals (SDGs). Qatar's National Vision 2030 aligns closely with the SDGs. Qatar's Planning and Statistics Authority (PSA) has developed a comprehensive framework to monitor SDG progress, utilising more than 200 national indicators to track various aspects of sustainable development.

ISLAMIC FINANCE A VITAL PART OF QATAR'S FINANCIAL SYSTEM

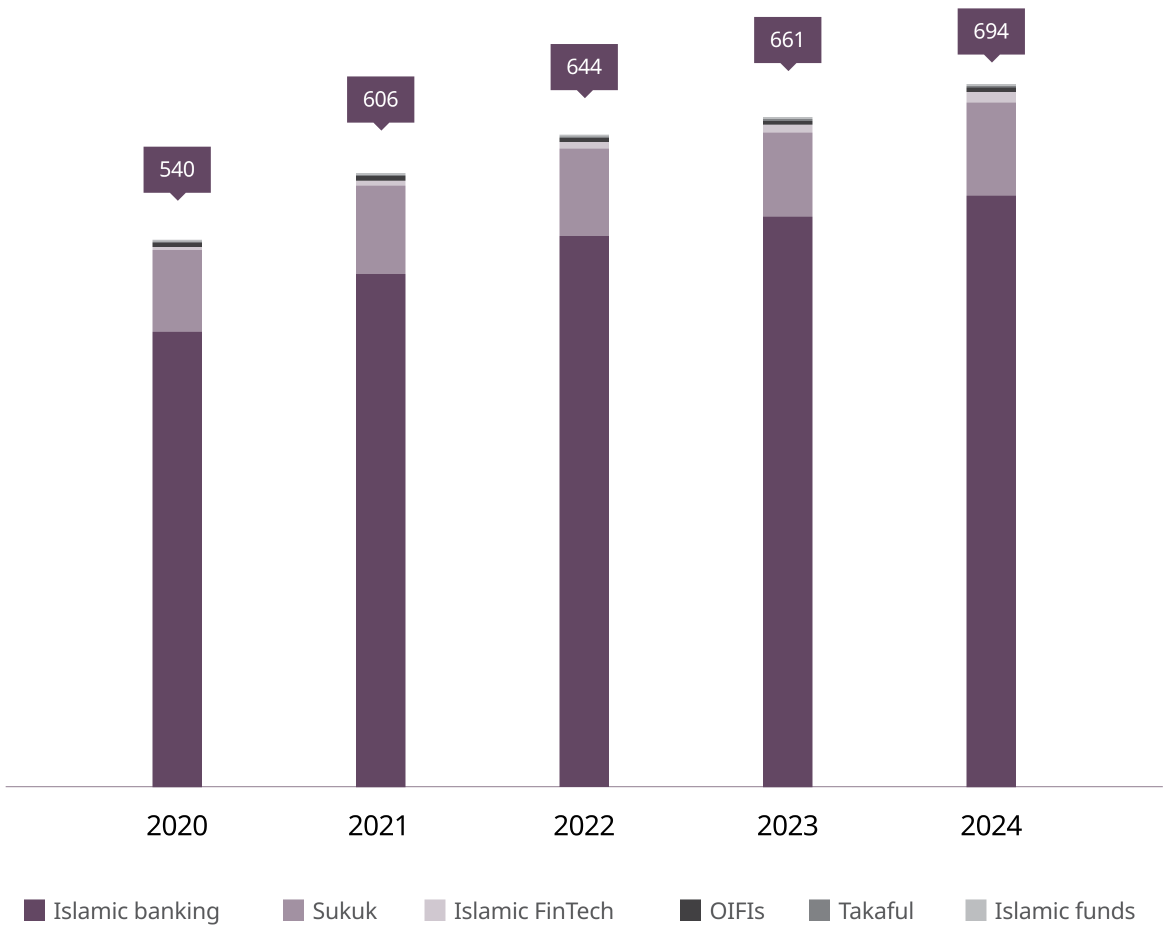
Qatar has become a key player in the global Islamic finance sector, leveraging its strong financial infrastructure and strategic initiatives to drive growth and innovation. The country has a dynamic Islamic finance industry, with a broad range of Sharia-compliant products. It is a major regional player, hosting two of the region's 10 largest Islamic banks by asset size.

The Islamic finance industry is considered a vital part of the country's financial system. Traditional Islamic finance assets reached QAR 684 billion by the end of 2024, constituting 27% of Qatar's total traditional financial system assets.

With the inclusion of the Islamic FinTech sector, Islamic finance assets totalled QAR 694 billion by the end of 2024.

Islamic finance assets in Qatar | 2020 - 2024

QAR billion



27% Islamic finance assets' share of total financial sector assets

6.4% CAGR of Islamic finance assets 2020 – 2024

Source: *Qatar Central Bank, LSEG Analysis*

Qatar's Islamic finance sector has continued to expand despite challenges from the Covid-19 pandemic and the fallout from regional events. Between 2020 and 2024, Islamic finance assets grew at a CAGR of 6.4%, slightly outpacing the overall financial sector with a CAGR of 5.3%. As with the overall financial sector, Islamic banking is the biggest growth driver in the Islamic finance sector, given its 84.4% share of total assets. Meanwhile, sukuk is the second largest asset class, constituting 13.2% of total assets. Other players in Qatar's Islamic finance industry include takaful providers, investment and non-bank financing companies, and Islamic FinTechs, but these account for just 2% of total assets, along with Islamic funds.

ISLAMIC FINANCE REGULATORY AND GOVERNANCE LANDSCAPE

Islamic finance regulation in Qatar is overseen by three primary financial regulators: the QCB, the Qatar Financial Centre Regulatory Authority (QFCRA), and the Qatar Financial Markets Authority (QFMA). These regulators work in harmony to ensure a cohesive regulatory environment, with the QCB taking the lead role. The QCB regulates banking, insurance, investment, and financing companies, while the QFMA oversees capital markets. The QFCRA, on the other hand, regulates all these sectors for institutions and financial activities based within the QFC.

A distinctive feature of Islamic finance regulation in Qatar is the segregation of Islamic and conventional banking. Since 2011, Islamic banking windows have been disallowed, ensuring a clear separation between the two types of banking operations. This move was aimed at maintaining the integrity of Islamic finance principles and avoiding any potential conflicts of interest. Additionally, Qatar employs a decentralised Shariah governance model, where individual Islamic financial institutions (IFIs) have their own Shariah boards rather than relying on a central Shariah board. This allows for a degree of flexibility and autonomy in Shariah compliance.

Qatari IFIs voluntarily adopt Shariah standards set by the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI). Meanwhile, the QFCRA, is also a member of the Islamic Financial Services Board (IFSB) in Malaysia, in addition to the QFC's observer status. This voluntary adoption of standards provides flexibility while ensuring that the IFIs adhere to internationally recognised Shariah principles. The approach to Shariah governance allows Qatari IFIs to tailor their operations to meet both domestic and international customer and investor expectations.

Focus on FinTech and digital assets

In recent years, the focus of Qatari regulators has been on modernising the financial industry and aligning it with international standards and best practices. Following the launch of the Third Financial Sector Strategic Plan, the QCB and QFCRA have been particularly active in developing regulatory frameworks and guidelines for innovative financial technologies. The QCB has adopted a broad approach, regulating various aspects of FinTech, from digital payments to AI. This comprehensive regulatory oversight ensures that FinTech innovations are integrated smoothly into the financial system while maintaining stability and security.

Meanwhile, the QFC and QFCRA have taken a keen interest in developing a competitive ecosystem for digital assets. The QFC Digital Assets Framework, launched in 2024, establishes a comprehensive legal and regulatory foundation for digital assets, including tokenisation, smart contracts, and custody arrangements. This framework supports the QFC Innovation Dome and its digital assets initiatives, aiming to position Qatar as a regional leader in digital asset innovation that attracts global innovators and startups.

Enhancing market infrastructure and capacity building

The QFMA has been actively enhancing capital market infrastructure by amending key regulations such as the Margin Trading and Financial Services Rulebook, and introducing regulations for Securities Lending & Borrowing and Covered Short Selling. Additionally, the QFMA has implemented systems for Insider Trading Surveillance and Anti-Money Laundering (AML) data aggregation, launched an e-portal for a single window for the capital market, and introduced the Book Building Mechanism.

Capacity building has also been a priority for the QFMA, with numerous initiatives focused mainly on enhancing the skills and knowledge of market participants. In collaboration with the Union of Arab Securities Authorities (UASA), the QFMA organised training programmes on new trends in risk, governance, and compliance. Additionally, the QFMA developed e-learning modules focused on Anti-Money Laundering and Countering the Financing of Terrorism (AML/CFT). These efforts were supported by partnerships with educational institutions and international regulatory bodies.

International collaboration on Islamic finance governance and capacity building

Collaboration between Qatar's financial regulators and international organisations such as the IFSB and the International Islamic Liquidity Management Corporation (IILM) has significantly bolstered the development of Qatar's Islamic finance sector.

The QCB and QFC have been at the forefront of these efforts, working closely with the IFSB to implement robust regulatory frameworks that align with international standards. This partnership aims to enhance the stability and resilience of Qatar's financial system by promoting sound risk management practices and ensuring compliance with Shariah principles. Notably, the QFC co-hosted the 4th IFSB Innovation Forum in Qatar in 2022, which focused on advancing sustainable finance solutions and fostering innovation within the Islamic finance industry. The collaboration has also facilitated knowledge sharing and capacity building, enabling Qatari financial institutions to stay abreast of global best practices in Islamic finance.

The QCB has also partnered with the IILM to improve liquidity management within the Islamic finance industry. The IILM, known for its role in providing high-quality liquid assets (HQLA) that are Shariah-compliant, has been instrumental in supporting the liquidity needs of Islamic banks globally. Through initiatives such as the IILM-QCB Capacity Building Programme for Qatari Banks and Financial Institutions, key stakeholders from Qatar's Islamic finance industry have engaged in in-depth discussions on the advancement of the domestic capital market. The first edition of this program was hosted in 2023, and a second edition in 2024. These efforts have not only helped strengthen the liquidity management landscape but also contributed to the overall development of Qatar's Islamic banking sector.

> **In recent years, the focus of Qatari regulators has been on modernising the financial industry and aligning it with international standards and best practices. [...] the QCB and QFCRA have been particularly active in developing regulatory frameworks and guidelines for innovative financial technologies.**

FINANCIAL SECTOR DEVELOPMENT HIGHLIGHTS IN QATAR

2019

- Barwa Bank and International Bank completed merger, creating Dukhan Bank
- QFCRA introduced leverage ratio rules
- QCB and QFCRA issued updated AML/CFT rules
- QCB issued guidelines for insurance intermediaries and insurance-related service providers
- QCB issued Insurance Sector Cyber Security Regulation
- QFMA updated margin trading rules

2020

- QFCRA introduced upgraded corporate governance rules for authorised firms
- QDB, in collaboration with QCB, launched Qatar FinTech Hub (QFTH)
- QCB launched regulatory sandbox for FinTech solutions

2021

- QFCRA introduced Professional Investor Fund Rules
- QSE launched Venture Market (QEVM)
- QCB issued Payment Services Regulation
- Al Rayan Bank (Masraf Al Rayan) and Al Khalij Commercial Bank completed merger

2022

- QFC co-hosted 4th IFSB Innovation Forum in Qatar
- QCB issued circulars on Basel III implementation guidelines, with adoption from 2024
- QFCRA issued Banking Business Prudential Amendments Rules
- QCB revised corporate governance instructions as per updated BCBS principles
- QCB launched Treasury sukuk programme
- Qatar implemented a new mandatory health insurance system for non-Qataris
- QFMA issued Covered Short Selling Rules and Securities Lending and Borrowing Rules
- QNB issued Qatar's first green bond, raising $600 million
- QFC launched GCC's first Sustainable Sukuk and Bonds Framework
- QIA launched a market-making initiative to boost liquidity on QSE
- QFC and UBS Asset Management signed letter of intent to collaborate on the establishment of a green sustainable private markets initiative

QCB launched Third Financial Sector Strategic Plan
QCB launched Qatar FinTech Strategy
Qatar hosted first IILM-QCB Capacity Building Programme for Qatari Banks and Financial Institutions
QFCRA introduced new capital adequacy requirements under Basel III
QFCRA introduced Insurance Business (Amendment) Rules
QCB issued Insurance Price Comparison Website (PCW) Regulation
QCB issued E-KYC Regulations
QFC launched QFC Innovation Dome
QFC inaugurated QFC Digital Assets Lab
QSE, in collaboration with London Stock Exchange Group, launched new high-performance trading platform
QFCRA introduced Derivatives Markets and Exchanges Rules

2023

2024

QCB completed infrastructure for a central bank digital currency (CBDC) project
QCB launched ESG Governance and Sustainability Strategy for the Financial Sector
QCB introduced Express Sandbox, a fast-track program for FinTechs' market entry
QIIB issued Qatar's first sustainability sukuk called "Oryx", raising $500 million
QFC and QFCRA launched QFC Digital Assets Framework
QFC signed MoU for Digital Assets Venture Studio
QCB issued Artificial Intelligence (AI) Guidelines
QCB issued Distributed Ledger Technology (DLT) Guidelines
QCB issued Digital Insurer Regulations
QCB issued Cloud Computing Regulations
Qatar issued its first sovereign green bond, raising $2.5 billion
QIA launched Fund of Funds programme, investing $1 billion exclusively in VC funds
Estithmar Holding issued first Qatari riyal-denominated sukuk outside of Qatar, raising QAR 645 million
Qatar hosted first edition of Qatar Web Summit
QCB issued Loan-Based Crowdfunding Regulation
QCB issued Buy-Now-Pay-Later (BNPL) Regulations
Wahed established regional office at QFC
QDB makes strategic investment in Wahed as part of Startup Qatar programme
QCB introduced Regulatory Framework for Digital Banks
QFCRA released Islamic Banking Business Prudential (Amendment) Rules 2024
Qatar hosted second IILM-QCB Capacity Building Programme

Q1 2025

Qatar hosted second edition of Qatar Web Summit
QFC launched QFC Metaverse
QFC, in collaboration with Dentons, launched QFC Sukuk Handbook
QInvest closed Qatar's first sustainability-linked murabaha facility worth $275 million

EXECUTIVE INSIGHTS

Dr. Ghiath Shabsigh
Secretary-General, Islamic Financial Services Board (IFSB)

Since the Qatar Financial Centre Regulatory Authority (QFCRA) became a member of the IFSB, what have been the key areas of collaboration in enhancing the Islamic finance industry in Qatar?

Since the QFCRA became a member of the IFSB in 2006, and the QFC an observer in 2018, the collaboration has contributed to the development of robust regulatory standards, ensuring a sound and resilient Islamic financial sector. The QFCRA has actively participated in the development of IFSB standards, shaping IFSB policy discussions, and aligning international best practices with industry needs, including standards such as the Core Principles for Islamic Finance Regulation, Conduct of Business Supervision in Takaful Undertakings, and several other standards. Additionally, QFCRA's involvement in capacity-building initiatives such as training programmes, workshops, and experience- and knowledge-sharing forums has helped enhance Islamic finance regulatory expertise and institutional capabilities across IFSB membership.

What key opportunities and challenges do you foresee for the Islamic finance industry in Qatar, and which areas should policymakers and regulators prioritise for development?

The Islamic finance industry in Qatar presents significant opportunities for growth, driven by increasing demand for Islamic financial products, government support, and technological advancements. With greater awareness and preference for ethical finance, Islamic banking, takaful, and sukuk investments are gaining traction among both domestic and international investors. Qatar's National Vision 2030, which emphasises economic diversification and innovation, positions Islamic finance as an important pillar for sustainable development and growth. Furthermore, Qatar Central Bank is aiming, under its third strategic plan, to give the industry clear direction, support innovation, and promote and raise awareness of Islamic financial services.

These factors create important opportunities for Qatar's Islamic financial institutions to expand regionally and internationally, and to position the country as a global hub for Islamic finance.

BILATERAL ENDEAVOURS FOR ISLAMIC FINANCE DEVELOPMENT

Qatar has actively enhanced collaborations with Malaysia and Türkiye in developing Islamic finance over recent years, recognising the potential of pooling their resources and expertise to create a robust and interconnected Islamic finance ecosystem. The collaboration between these jurisdictions has created a synergy that is positioning them as regional hubs that serve the needs of the majority of the $4.9 trillion Islamic finance industry: Malaysia as a hub for Asia, Qatar for MENA and Türkiye for Europe.

In 2023, the QFC and the Participation Banks Association of Türkiye (TKBB) signed a MoU to promote mutual interests through cooperation between member organisations, organising common platforms, summits, forums, and other events related to Islamic and participation banking and finance. Additionally, in 2020, the Qatar Investment Authority (QIA) acquired a 10% share in Borsa Istanbul, demonstrating a commitment to long-term cooperation between both countries.

Türkiye and Qatar have also been exploring opportunities in the FinTech sector, especially in digital Islamic and participation banking and innovative business models. Further enhancing their collaboration, the Finance and Investment Office of the Presidency of the Republic of Türkiye (CBFO) have been considering passporting services for financial institutions in both countries. Specifically, this includes connecting QFC-based entities and Istanbul Finance Center entities to Islamic financial markets in Central Asia and QFC-based commercial entities to Turkish and European markets.

Similarly, in 2021, the QFC signed a MoU with Labuan International Business and Financial Centre (Labuan IBFC) to develop long-term cooperation and boost economic and financial sector ties. This partnership includes commitments to collaborate on sectors including Islamic finance, digital finance, capital markets, and asset and investment management. Additionally, both financial centres agreed to facilitate the recognition of banks, insurers, and other financial sector entities in their respective markets, subject to regulatory approvals. The MoU was renewed in 2023, aiming to generate greater exposure and awareness of Labuan IBFC in the MENA region and facilitate the expansion of both financial centres into strategic markets.

For Qatar, these collaborations helped diversification efforts and to strengthen its financial sector by incorporating innovative Islamic financial products and services. For Türkiye and Malaysia, the collaboration has provided access to new markets and investment opportunities. Moreover, the shared knowledge and technology have led to the development of more sophisticated and competitive Islamic financial products, benefiting all parties involved.

> **Qatar has actively enhanced collaborations with Malaysia and Türkiye in developing Islamic finance over recent years, recognising the potential of pooling their resources and expertise to create a robust and interconnected Islamic finance ecosystem.**

EXECUTIVE INSIGHTS

Tan Sri Azman Mokhtar
Chairman, Malaysia International Islamic Financial Centre (MIFC) Leadership Council

How has the increased collaboration between the Islamic finance industries in Malaysia and Qatar impacted the sector from your perspective?
In the area of Islamic finance, the unfolding relationship between Malaysia and the GCC, with Qatar as one of the key players, is emerging as a frontier of immense potential. This collaboration is driven by a shared commitment to fostering a robust, sustainable, and innovative global Islamic finance sector.

Malaysia, with its commanding presence in the global sukuk market --holding nearly 50% of all global issuances and $329 billion in outstanding sukuk as of 2024 --and Qatar, with its pioneering efforts in integrating ESG principles, including the $467 million Al Kharsaah Solar Plant, possess unique strengths. When combined, these strengths offer unprecedented opportunities for growth and innovation.

Such a collaborative endeavor has the potential to achieve significant milestones, including advancements in green sukuk frameworks to tap into the ESG investment market, which is projected to reach $50 trillion by 2025. Additionally, the exploration of blockchain technology for financial services underscores the potential to not only enhance financial inclusivity but also drive positive environmental impacts.

Moreover, the synergy between Malaysia's digital Islamic banking leadership and Qatar's flourishing Islamic FinTech ecosystem suggests a fertile ground for co-developing solutions that address the pressing needs of today while paving the way for a future-ready Islamic finance industry. For example, Qatar's FinTech accelerator programmes and Malaysia's regulatory sandbox initiatives could facilitate joint blockchain-based innovations for smart sukuk contracts. This partnership is further enriched by a shared vision for harmonising Shariah-compliant standards and leveraging technology to improve transparency and efficiency in financial transactions and charitable distributions, such as modernizing Zakat and Waqf platforms.

Which segments of the Islamic finance industry should policymakers in Malaysia and Qatar prioritize to enhance collaboration over the next five years?
As we look to the future, it is imperative that our policies and initiatives continue to align with the goal of nurturing a resilient and competitive Islamic finance sector. Key areas for us to concentrate on include regulatory alignment to ease cross-border transactions, human capital development, and fostering innovation through technology. These priorities will undoubtedly propel us towards achieving a more inclusive and sustainable global financial system.

The collaborative journey between Malaysia and Qatar serves as a shining example of international cooperation in Islamic finance. Steered by shared interests and mutual respect, our partnership not only enhances the economic well-being of our respective nations but also contributes significantly to the global Islamic finance architecture, setting a precedent for future collaboration.

EXECUTIVE INSIGHTS

İsmail Vural
Secretary General,
Participation Banks Association of Türkiye (TKBB)

How has the increased collaboration between the Islamic finance industries in Türkiye and Qatar impacted the sector from your perspective?
The growing collaboration between the Islamic finance industries of Türkiye and Qatar has significantly strengthened sectoral ties and is fostering financial integration and expanding opportunities for both economies.

A key milestone in this partnership was the signing of a MoU between TKBB and QFC in 2023. This agreement has established a structured framework for cooperation, facilitating direct correspondent banking relationships and enabling the exchange of financial, economic, and banking data. Additionally, it has paved the way for joint initiatives such as summits, forums, conferences, and webinars, enhancing industry dialogue and collaboration.

Aligned with Qatar's National Vision 2030, this cooperation presents significant opportunities. Türkiye's participation banks, with their expertise in export financing and SME support covering 30 industrial sectors, play a crucial role in strengthening financial cooperation between the two countries. In this context, Türk Eximbank, in collaboration with TKBB, has introduced a suite of participation-based financial products, including participation-based receivables insurance, sales financing with profit declaration, interest-free pre-shipment export financing, and interest-free financial leasing. These tailored solutions will contribute to expanding Türkiye's foreign trade volume and enhancing the global competitiveness of Turkish exporters, including in the Qatari market.

Moreover, in line with the participation finance sector's mission to support the real economy, the Islamic Credit Guarantee Fund (KFK – Katılım Finans Kefalet) was established in 2023 in partnership with the Ministry of Treasury and Finance and Türkiye's participation banks. KFK aims to facilitate SME access to financing by addressing collateral challenges, thereby fostering sectoral growth and enhancing financial inclusion.

This deepening collaboration between Türkiye and Qatar continues to create new avenues for innovation, financial stability, and economic prosperity in the Islamic finance landscape.

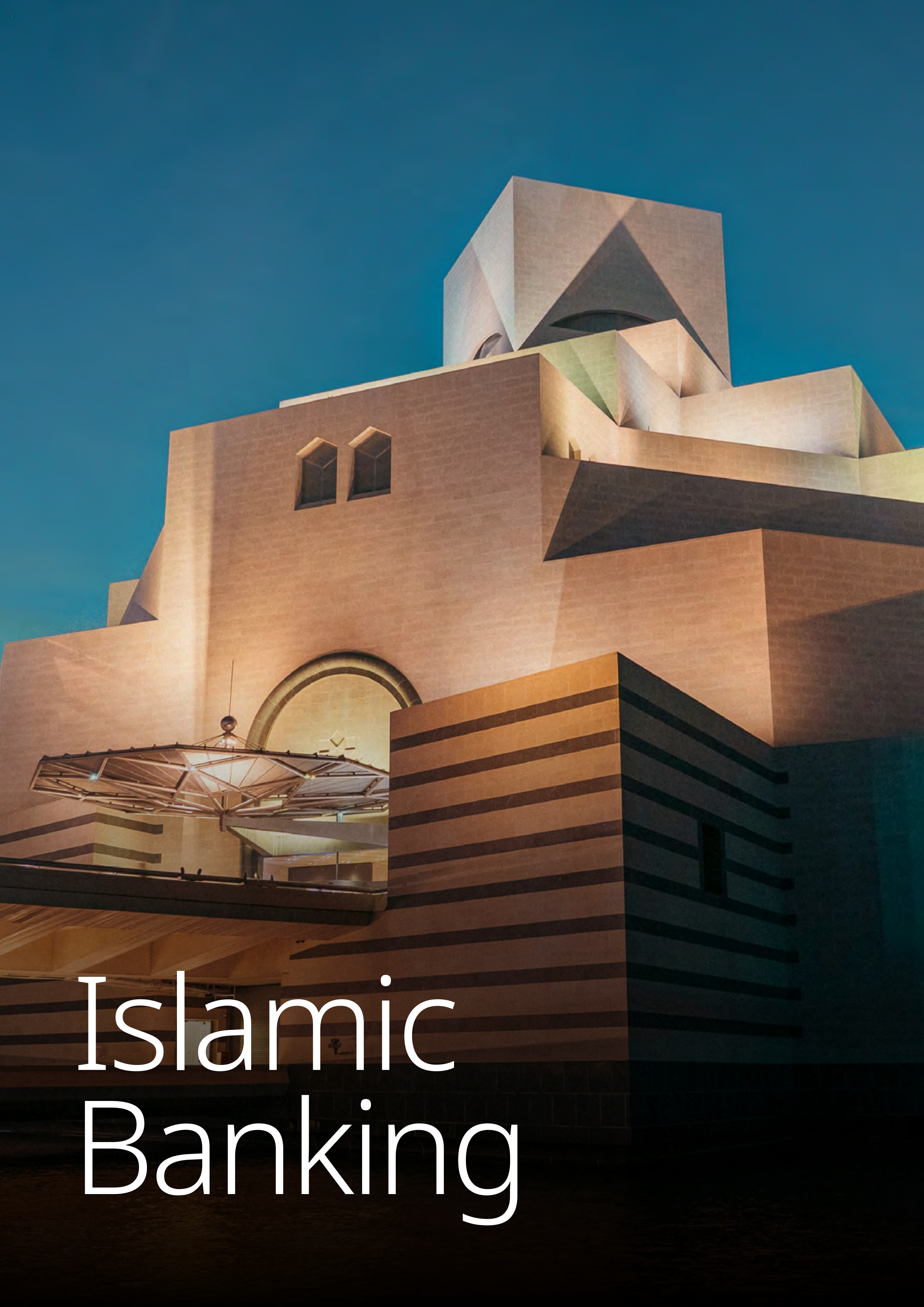
Which segments of the Islamic finance industry should policymakers in Türkiye and Qatar prioritize to enhance collaboration over the next five years?
To strengthen collaboration in Islamic finance over the next five years, Türkiye and Qatar may prioritize sukuk market development, fintech- digital driven innovations, and sustainable Islamic finance.

Türkiye has a well-established sukuk market, ranking fifth globally in sukuk issuance over the past five years, according to data from London Stock Exchange Group. Enhancing cooperation in this area can create new opportunities for financing large-scale infrastructure, energy, and trade projects. Joint sukuk issuances can provide a powerful financing tool, while cross-listing sukuk on both Borsa Istanbul and the Qatar Stock Exchange can attract a broader investor base. Additionally, regulatory harmonisation between the two countries would facilitate seamless cross-border Sukuk transactions, further strengthening the market.

FinTech and digital Islamic banking are also set to play a crucial role in shaping the future of financial collaboration. Blockchain-based Islamic finance solutions, such as smart contracts, can improve the efficiency and security of Shariah-compliant transactions. With two digital participation banks already operating in Türkiye, supporting digital-only Islamic banks and FinTech startups will enhance access to mobile-based participation banking services and promote greater financial inclusion. Additionally, the development of seamless, Shariah-compliant cross-border digital payment systems will further deepen financial ties between Türkiye and Qatar.

Sustainable Islamic finance is emerging as a key priority, and stronger collaboration between Türkiye and Qatar can accelerate progress in this field. Developing innovative Islamic banking products that integrate both Shariah principles and ESG considerations will be vital for the future of the sector. Türkiye's participation banking sector, led by TKBB, has already placed sustainability at the centre of its strategy, taking significant steps to promote ESG-aligned financial practices. TKBB actively engages with local and international jurisdictions and global institutions such as the United Nations Development Programme (UNDP), Islamic Development Bank (IsDB), and European Bank for Reconstruction and Development (EBRD) to raise awareness and implement effective sustainable finance practices. Strengthening collaboration between Türkiye and Qatar in this area will further leverage Islamic finance for the achievement of SDGs and drive meaningful progress in sustainable finance.

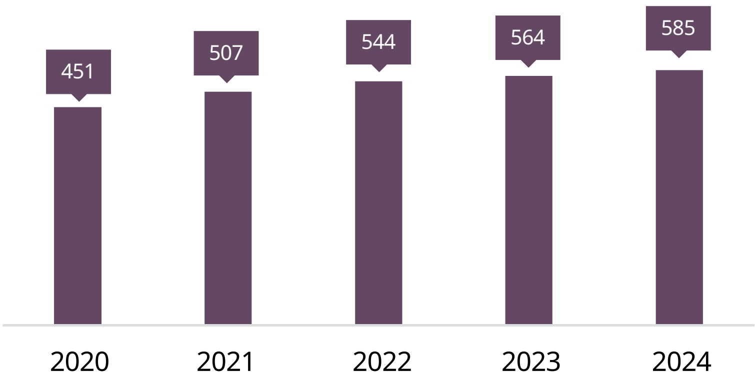
By focusing on these strategic areas, Türkiye and Qatar can reinforce their leadership in Islamic finance, foster deeper economic cooperation, and promote sustainable growth within the sector.



Islamic Banking

Mergers and World Cup credit fuel robust growth

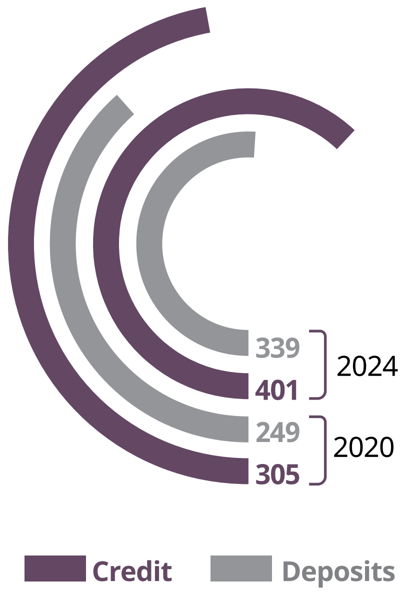
Islamic banking assets
QAR billion



29% Share of total banking assets (2024)

6.8% CAGR 2020-2024

Islamic banking credit-deposit gap
QAR billion



Recent Developments

Consolidation creating larger Islamic banks

Enhancing financial stability and governancs

Digital bank regulations

Emerging trends and opportunities

Private sector credit

Partnerships with FinTechs

Open banking

Sustainability Islamic banking offerings

ROBUST GROWTH FOR ISLAMIC BANKS FUELLED BY STRATEGIC MERGERS AND WORLD CUP CREDIT

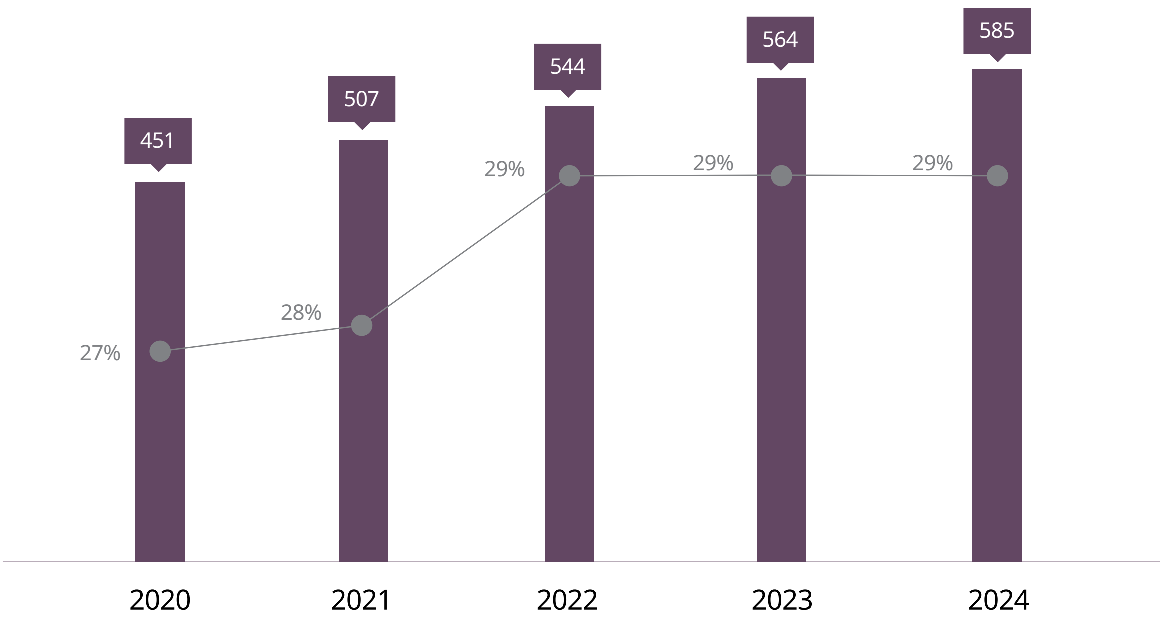
As of the end of 2024, Islamic banking contributed 29% of total banking assets under the jurisdiction of the QCB, up from 26% in 2014. By the end of 2024, Islamic banking assets in Qatar were valued at QAR 585.5 billion.

The sector grew at a CAGR of 6.8% between 2020 and 2024, in contrast to a CAGR of 4.5% for conventional banks.

Islamic banking asset growth averaged 11% in 2020 and 2021, in the run-up to the 2022 FIFA World Cup. The tournament catalysed credit growth in Qatar as it boosted demand for credit in the construction, hospitality, and retail sectors.

Islamic banking assets in Qatar | 2020 - 2024

QAR billion, % of total banking assets



***Source**: Qatar Central Bank, IFSB*

This rise was primarily due to the merger between Al Rayan Bank and Al Khalij Commercial Bank in 2021, which resulted in the conversion of the latter's assets to Islamic banking assets and positioned Al Rayan Bank as the second-largest Islamic bank in the country.

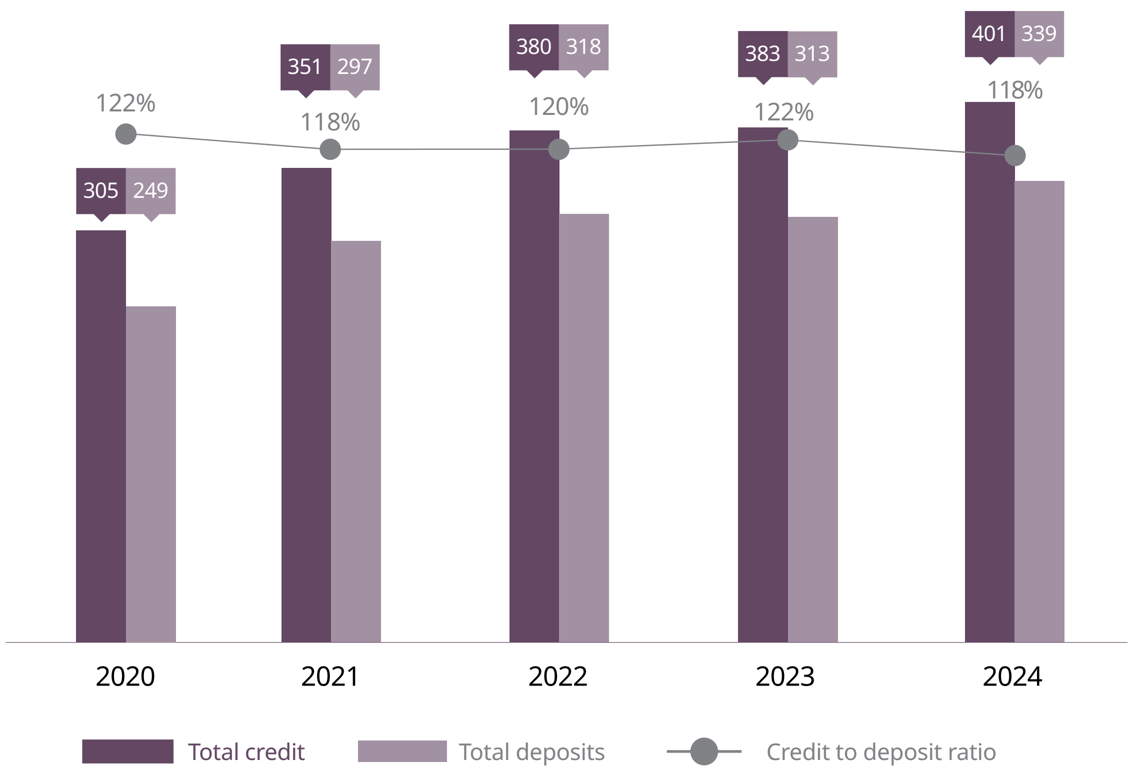
Another contributor to growth in Islamic banking assets during this period was the acceleration of Islamic credit growth began to accelerate towards the end of 2024 as lower borrowing costs drove demand for credit after central banks began cutting policy rates.

Financing extended by Qatari Islamic banks grew by 4.9% in 2024, compared to 0.6% in 2023, marginally outpacing credit growth for conventional banks at 4.6%. the growth was driven by credit to the private sector, which made up 78% of Islamic banks' collective financing portfolio. Credit to the real estate and the general trade sectors saw the largest credit growth at 16% and 23%, respectively.

Islamic financing also slightly outpaced growth in Islamic bank deposits, thereby narrowing the credit-deposit gap and liquidity pressure on this sector. The ratio of Islamic credit to deposits stood at 118% in 2024. Meanwhile, the gap widened for conventional banks, with the credit-to-deposit ratio reaching 140%.

Islamic banking credit-deposit gap | 2020 - 2024

QAR billion, % of deposits



Source: *Qatar Central Bank, IFSB, LSEG analysis*

QIB AND AL RAYAN BANK MAKE UP MORE THAN 68% OF DOMESTIC ISLAMIC BANKING ASSETS

Four commercial Islamic banks operate under the jurisdiction of the QCB: Qatar Islamic Bank (QIB), Al Rayan Bank (formerly Masraf Al Rayan), Dukhan Bank, and Qatar International Islamic Bank (QIIB).

As of the end of 2024, QIB was the largest Islamic bank in Qatar, accounting for 36.5% of total Islamic banking assets in Qatar. This dominance is attributed to QIB's extensive range of Shariah-compliant products and services, strong financial performance, and strategic initiatives aimed at expanding the bank's market presence. Al Rayan Bank held a 31.1% share, with its asset base enhanced by its merger with Al Khalij Commercial Bank.

QATAR DEVELOPMENT BANK: DIVERSIFYING QATAR'S ECONOMY THROUGH TAILORED ISLAMIC FINANCING SOLUTIONS

Qatar Development Bank (QDB) is a state-owned development bank, which plays a pivotal role in diversifying Qatar's economy. The bank was established to support the development of the local private sector, providing a range of financing solutions tailored to meet the needs of various sectors. The bank's primary focus is on financing and supporting SMEs, which are crucial for economic diversification and job creation. According to a study by the College of Islamic Studies at Hamad Bin Khalifa University, QDB began its transition from a conventional to a full-fledged Islamic banking model in 2010, in response to the QCB directive disallowing Islamic banking windows. The study highlights that by June 2019, 97% of QDB's assets were Shariah-compliant.

QDB offers a variety of financing solutions, including direct loans; credit guarantees for startups and SMEs; green financing for eco-friendly projects; technology and digitalisation financing; construction and renovation financing; fisheries financing; and initial working capital for Shariah-compliant SMEs. QDB employs Islamic structures such as Murabaha, Ijara, Mudaraba, and Musharaka. Notably, QDB has provided QAR 6.71 billion in direct financing loans for manufacturing companies, supported 1,155 SMEs, and granted QAR 1.2 billion in total credit facilities.

RECENT DEVELOPMENTS

ENHANCING STABILITY AND GOVERNANCE IN QATAR'S BANKING SECTOR

The QCB and QFCRA have introduced several important regulations and guidelines since 2019 impacting both conventional and Islamic banks. The aim of these is to enhance the stability, transparency, and governance of the Qatari banking sector, with specific considerations for the unique aspects of Islamic banking.

Prudential Banking Framework/ Basel III reforms:
Qatar is one of the few jurisdictions, and the second among GCC countries, to have set a timeline for meeting the official Basel III implementation date. Under the regulatory direction and guidance of the QCB, Qatari banks are required to adopt Basel III reforms in line with the timeline targeted by most large economies of the world.

The QCB issued circulars outlining the implementation guidelines for Basel III reforms for both Islamic and conventional banks in 2022, with adoption taking effect from 2024. Islamic banks will need to maintain higher capital buffers and ensure sufficient HQLA to withstand liquidity stress. The QFCRA also continued its policy work on the Basel Accords framework, issuing a consultation paper on proposed amendments in 2022.

In June 2019, the QFCRA introduced leverage ratio rules as a supplementary prudential measure to the risk-based capital requirements under the Basel Accord framework, included in the updated Banking Business Prudential Rules 2014 and the Islamic Banking Business Prudential Rules 2015. The QFCRA continued its policy work on the implementation of the Basel Accord across banks operating in Qatar, issuing the Banking Business Prudential (Regulatory Adjustments to Capital) Amendments Rules in 2022. In 2023, the QFCRA introduced new capital adequacy requirements under Basel III framework which aim to improve banks' ability to absorb financial shocks and reducing spillover risks from financial sector into real economy.

Islamic Banking Prudential Rules:
In 2023, the QFCRA issued a public consultation on proposals to enhance its Islamic Banking Prudential Rules 2015 (IBANK). The proposed amendments to IBANK were set out in the Islamic Banking Business Prudential (Amendment) Rules 2024. They were developed to achieve alignment with IFSB prudential standards for Islamic banks and certain parts of the Basel III Framework.

The proposed amendments follow the IFSB approach towards credit risk and liquidity management and introduce new capital adequacy standards specific to Islamic banking operations. The consultation paper also addressed governance issues including the Shariah compliance audit function and the role of Shariah supervisory boards.

Anti-Money Laundering (AML) and Combating the Financing of Terrorism (CFT) frameworks:
Law No. (20) of 2019 was introduced by the QCB to strengthen the AML/CFT framework, requiring financial institutions to invest in enhanced compliance systems and training. Also, in 2019, the QFCRA issued updated AML/CFT rules, aligning with Qatar's new law on combating money laundering and terrorism financing. In 2022, the QCB updated its AML/CFT instructions and implemented several prudential policy measures to strengthen the financial sector.

Corporate governance rules:
In July 2020, the QFCRA introduced upgraded corporate governance rules for authorised firms, aligning with international best practices and the frameworks of QCB and the QFMA. The rules introduced a new overarching transparency principle requiring the boards of authorised firms to provide stakeholders with enough information enabling them to assess the effectiveness of the board and senior management in their management roles. The rules also strengthened requirements around board composition and board committees, as well as accountability and risk management practices at both board and senior management levels. In 2022, the QCB also revised corporate governance instructions as per updated Basel Committee on Banking Supervision (BCBS) principles.

Digital bank regulations:
In December 2024, the QCB introduced its Regulatory Framework for Digital Banks, which defines the purpose of digital banks, the regulatory requirements for their operation, and the process for obtaining a Qatari digital banking licence. The framework addresses concerns often associated with digital banks, such as vulnerability to fraud by setting clear operational standards including stringent AML/CFT measures.

To secure a licence, prospective digital banks are required to establish headquarters in Qatar and ensure the majority of board members are Qatar residents. They must also demonstrate a commitment to expanding financial inclusion, particularly for unserved or underserved segments such as SMEs.

CONSOLIDATION TREND EXPANDED ISLAMIC BANKS' SHARE IN QATAR

The GCC banking sector has experienced considerable consolidation and M&A activity in recent years, driven by economic pressures and the need for resilience. The COVID-19 pandemic accelerated this trend, with banks seeking to strengthen their financial positions and enhance operational efficiencies. This wave of consolidation is expected to continue as banks aim to improve their competitive edge and adapt to changing market conditions.

In Qatar, this trend has manifested in mergers between conventional banks and Islamic incumbents, forming larger Islamic banks. These mergers have significantly increased the asset base and market share of Islamic banks in Qatar, enabling them to compete more effectively both locally and regionally. For instance the merger of Barwa Bank and International Bank of Qatar in 2019 resulted in the creation of Dukhan Bank. Another major merger occurred between Al Rayan Bank and Al Khalij Commercial Bank in 2021, forming one of the largest Shariah-compliant banks in the region.

EMERGING TRENDS AND OPPORTUNITIES

LEVERAGING ISLAMIC BANKING INNOVATION TO BOOST ECONOMIC DIVERSIFICATION

The Qatari government's economic diversification efforts present significant growth opportunities for Islamic banks. As the government aims to boost growth in the private sector and its contribution to GDP, Islamic banks are well-positioned to capitalise on this shift. With 78% of Islamic banking credit already directed towards the domestic private sector --particularly in real estate, retail, and services --these banks have established a strong foundation for continued growth. This focus has not only maintained higher growth rates for Islamic banks but also aligned them closely with strategic economic objectives.

Looking ahead to 2030, the Third Strategic Plan for the Financial Sector places strong emphasis on developing innovative financial products. This strategic focus opens new avenues for Islamic banks to introduce Shariah-compliant products that cater to the evolving needs of businesses and individuals. For instance, tailored financing solutions for SMEs, digital banking services, and retail investment products can attract a broader customer base. Additionally, the growing interest in sustainable and ethical investments provides Islamic banks with an opportunity to develop green financing products, leveraging the convergence of Islamic principles and ESG considerations.

Meanwhile, the government's push for economic diversification continues to drive growth in various non-hydrocarbon sectors such as tourism, healthcare, and education. Islamic banks can play a pivotal role in financing projects within these sectors by offering specialised advisory services and sector-specific financing.

ISLAMIC BANKS LEVERAGING FINTECH PARTNERSHIPS TO DRIVE DIGITAL TRANSFORMATION AND INNOVATION

Digital transformation is reshaping the Islamic banking landscape in Qatar and the GCC. Driven by the need for operational efficiency, improved customer experience, and competitiveness, there has been a strong push from Islamic banks towards mobile and online banking solutions, enhanced cybersecurity, and customer-centric services. Further advancing their digital transformation agendas, Islamic banks have begun integrating more advanced technologies such as AI, machine learning, and blockchain into their operations.

Partnering with FinTechs is vital for accelerating digital transformation. In these partnerships, the Islamic bank typically brings its extensive customer base, regulatory knowledge, and financial expertise, while the FinTech contributes cutting-edge technology, innovative solutions, and agile development methodologies. This collaboration is often more cost-effective than developing technologies from inception and allows for the rapid deployment of new user-friendly digital services essential for customer retention and acquisition.

QIB presents an example of this trend, partnering with FinTechs to enhance digital offerings and improve customer experience. For instance, QIB has partnered with QPAY International to develop several innovative solutions, including AI-powered personal finance management, blockchain-based secure transactions, mobile banking solutions: and automated compliance solutions.

OPEN BANKING FACILITATING GROWTH OF ISLAMIC BANKS AND PRODUCT INNOVATION

Open banking is rapidly transforming the financial landscape in the GCC region. This trend involves financial institutions granting third-party providers access to consumer-banking transactions, and other financial data through application programming interfaces (APIs). Open banking securely integrates a bank's core financial services with its partners', facilitating data sharing and payments between organisations. This integration enables the creation of new financial products and services, enhancing customer experience and fostering innovation.

The QCB's FinTech Strategy emphasises open banking as a core component. The strategy aims to develop a pioneering ecosystem that expands open banking capabilities, supported by advanced frameworks and API platforms. This will enhance the regulatory environment and support digital banking, crowdfunding, and emerging technologies.

Qatar National Bank (QNB) launched its open banking platform in 2022. This platform, the first of its kind in Qatar and one of the first in the region, allows customers, partners, and FinTechs to securely access the bank's core systems, enabling a seamless banking experience. In May 2024, QNB expanded its open banking services to corporate clients, further enhancing its offerings. QNB's partnership with Ooredoo on the Ooredoo Money service exemplifies successful open banking and FinTech collaboration.

Open banking can benefit Islamic banks by enabling personalised, Shariah-compliant financial products and FinTech solutions, such as real-time Zakat calculation apps. By using APIs to aggregate financial data from multiple sources, Islamic banks can offer tailored Shariah-compliant investment portfolios, including products like sukuk and equity funds. This integration can enhance customer experience and financial inclusion, and drive innovation in Islamic financial products.

> **Further advancing their digital transformation agendas, Islamic banks have begun integrating more advanced technologies such as AI, machine learning, and blockchain into their operations.**

EXECUTIVE INSIGHTS

Houssam Itani

Group Chief Transformation Officer,
Al Rayan Bank

How will digital transformation change the Islamic finance landscape in Qatar over the next five years, and what key opportunities and challenges do you foresee?
Digital transformation is poised to revolutionise the Islamic finance landscape in Qatar by enhancing efficiency, transparency, and customer experience. We can expect significant business model transformation across the banking value chain over the next five years, including a significant shift to banking as a service model. Banks will have to adapt to a new normal and embrace a different way of thinking and doing business.

We anticipate significant acceleration in cross-industry collaboration and further deepening of partnerships, with FinTech solutions and artificial intelligence (AI) gaining traction in specific use cases. However, this acceleration depends on increasing the pace of regulatory change (which is happening in Qatar), the ability to adopt digital trust by design, and the upskilling of capabilities to lead and drive such a change.

How is Al Rayan Bank leveraging digital transformation to enhance customer experience and operational efficiency? What have been the key challenges in integrating FinTech solutions within the traditional banking framework?
Al Rayan Bank is leveraging digital transformation by implementing advanced technologies to enhance customer experience and operational efficiency. This includes the adoption of the latest mobile banking capabilities, deploying modular technological architecture, and using data analytics to provide personalized services.

The integration of FinTech solutions has enabled the introduction of innovative offerings. However, key challenges include ensuring data security, maintaining regulatory compliance, and blending FinTech solutions with traditional banking offerings.

EXPANDING SUSTAINABLE ISLAMIC BANKING OFFERINGS TO ACCELERATE DECARBONIZATION AND SUPPORT JUST TRANSITION EFFORTS IN QATAR

The continued growth of sustainable finance and investing presents an opportunity for banks to accelerate the decarbonisation of economic activity in the GCC, where banks support both public and private decarbonisation initiatives by financing the investments needed to achieve net-zero targets. In addition, financing the transition of carbon-intensive "grey industries", including LNG production, offers the greatest opportunities for high-impact ESG investing, although advancing the global effort to combat climate change remains its primary rationale.

In Qatar, the government has made strides in integrating ESG principles into its national development strategy, as outlined in Qatar National Vision 2030, which includes ambitious targets for reducing greenhouse gas emissions by at least 25% by 2030. QIB sets an example of how Qatari banks are embracing ESG initiatives through integrating ESG criteria into its lending practices. The bank's efforts include supporting renewable energy projects and promoting green financing options. With government backing, Islamic banks in Qatar are well-positioned to lead in green financing, aligning with SDGs.

Islamic banks in Qatar can offer a variety of green or sustainable banking products and investments. These include green financing or mortgages at lower profit rates or discounted fees for purchasing electric vehicles, construction of energy-efficient buildings, or developing environment-friendly projects. Other sustainable banking products include green savings accounts, which offer incentives to encourage customer deposits or to utilise these deposits to specifically finance green projects, and green investment funds.

To keep pace with the efforts of their global peers, Qatari Islamic banks will need to invest more resources in developing in-house capabilities to identify, evaluate, and seize ESG opportunities. In the near term, extending ESG financing offerings –including project finance, sukuk, syndicated financing, and ESG advisory services– will help Islamic banks build relationships with corporates and government agencies at the forefront of decarbonisation.

Islamic banks can build on their Shariah compliance to offer ESG products by leveraging the inherent principles of Islamic finance, which emphasise ethical investing and social responsibility. Shariah-compliant financial products naturally align with many ESG criteria, as they prohibit investments in industries that are harmful to society, such as alcohol, gambling, and tobacco. By integrating ESG principles into their Shariah-compliant frameworks, Islamic banks can offer products that not only meet ethical standards but also contribute to environmental sustainability and social well-being.

DEVELOPMENTS ACROSS SELECT DEFINED STRATEGIC PLAN OUTCOMES

The Third Financial Sector Strategic Plan for Qatar aims to cultivate a sophisticated and resilient banking sector. This sector will provide a wide range of financial services and products, specialised advisory, and structured funding, all underpinned by regulatory and digital excellence.

The strategic plan also outlines the main outcomes for the development of the banking sector in Qatar. The following are recent developments and key initiatives that have contributed to these outcomes, particularly for Islamic banks.

Banking outcome 1:
Improved financial stability, operational effectiveness and resilience of the banking system for improved competitiveness and sustainable development

REGULATORY ENHANCEMENTS

Financial regulators in Qatar have taken the following measures to ensure improved financial stability, operational effectiveness, and the resilience of Qatar's Islamic banking sector:
The QCB has implemented stringent capital adequacy requirements under the Basel III framework, mandating Islamic banks to maintain a minimum Capital Adequacy Ratio (CAR) of 12.5%, with at least 10.5% consisting of Tier 1 capital. This ensures a solid capital base to absorb potential losses, thereby enhancing resilience and stability. Additionally, the IFSB's Revised Capital Adequacy Standard (IFSB-23) aligns with global standards, ensuring effective risk coverage and appropriate capital allocation for Islamic financial institutions.

To reduce reliance on non-resident deposits, the QCB has introduced several macro-prudential measures since early 2022. These measures aim to discourage banks from depending on short-term external funding, which can be volatile. As a result, reliance on non-resident deposits has fallen by more than one-third since their peak in late 2021. This shift helps stabilise the funding structure of Islamic banks, making them less vulnerable to external shocks.

ASSET QUALITY AND STABILITY

In 2024, Fitch Ratings upgraded three Qatari Islamic banks –QIB, Dukhan Bank, and QIIB– from 'A-' to 'A'. This reflected the increased ability of the government to support these banks, bolstered by Qatar's sovereign rating upgrade to 'AA' from 'AA-'. The sovereign upgrade was driven by improved debt-to-GDP ratios and a strengthened external balance sheet.

The solid market share and stable asset quality of these banks also contributed to the upgrade. Islamic banking assets constitute 29% of Qatar's total banking sector assets, supported by strong demand and robust branch and digital networks. The asset quality of Qatari Islamic banks remained resilient, with a stable impaired financing ratio of 3.9% in 2023, reflecting sound underwriting standards and adequate provisioning levels. These factors enhanced the financial stability and competitiveness of the Islamic banks, demonstrating strong government support and resilience in the sector.

Banking outcome 2:
Extensive and innovative banking sector that contributes to Qatar's economic growth and diversification

FINTECH INITIATIVES

Qatar's has made notable progress in developing an extensive and innovative Islamic banking sector that contributes to competitiveness and growth of the Islamic banking sector through various FinTech initiatives. The introduction of digital wallets and instant payment systems has facilitated the transition from traditional banking channels to digital alternatives, making financial transactions more convenient and accessible. Examples include QIB's mPay Digital Wallet provides a cashless and cardless payment gateway within Qatar through the Qatar Mobile Payment (QMP) network.

Furthermore, initiatives such as the issuance of the first local prepaid electronic payment card, Himyan, have encouraged cashless transactions, thereby improving the efficiency and security of financial services. In 2024, QCB granted licenses to more than 23 payments FinTechs, supporting the digital transformation of the banking sector.

The development of regulatory guidelines, such as the Payment Services Regulation and the Information and Cyber Security Regulation for Payment Service Providers, along with electronic platforms like the QMP system, has positioned Qatar as a hub for financial technology, particularly within Islamic finance.

Additionally, the QCB has issued a comprehensive regulatory framework for digital banks. This framework will enable the development of advanced financial products and services that meet the needs of a diverse customer base, while also supporting financial inclusion and SME financial services.

SUSTAINABLE FINANCIAL PRODUCTS

Qatar has made notable progress in sustainable finance within its banking sector, with a focus on integrating ESG principles into banking operations. The QCB has developed an ESG and Sustainability Strategy for the financial sector, whereby Qatari banks are not only contributing to the sustainability agenda but also enhancing their competitiveness and resilience.

The strategy aims to integrate ESG principles into financial and banking operations, encouraging banks to adopt sustainability business practices, including embedding ESG criteria into risk management, investment decisions and enhancing transparency through comprehensive ESG reporting

Additionally, the strategy supports the introduction and innovation of financial and banking products and services that address ESG considerations, supporting environmental, social and other sustainability projects and initiatives across various economic sector, mainly energy, infrastructure and real estate. It also plans to drive the innovation of sustainable digital financial solution by promoting sustainability-themed FinTechs.

A key development has been the introduction of green financing products by Islamic banks. For example, QIB has introduced green financing options for projects that promote renewable energy, energy efficiency, and sustainable infrastructure.

ENHANCED LIQUIDITY MANAGEMENT OPTIONS

The launch of Treasury sukuk by the QCB in 2022 marked a significant development for the Islamic banking sector. This initiative provides Islamic banks with a new option for investing their excess liquidity, which was previously limited due to Shariah restrictions on conventional Treasury bills. By issuing QAR 6 billion in Treasury sukuk, the QCB has enhanced the liquidity management tools available to Islamic banks, allowing them to better manage short-term liquidity needs.

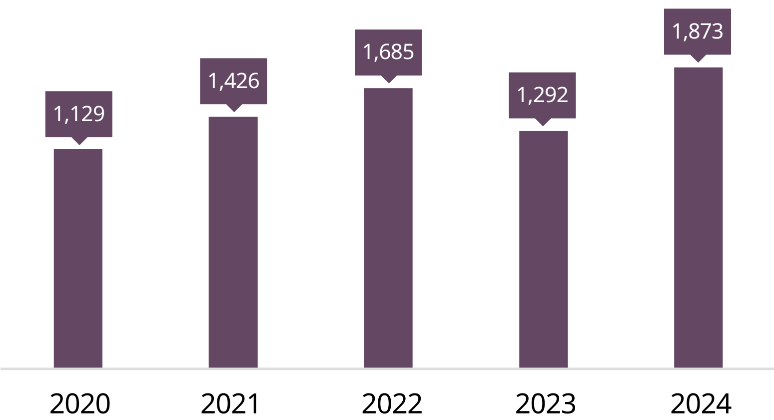
This structural improvement helps diversify the funding base of Islamic banks, contributing to the sector’s growth and stability. The availability of short-term sukuk, with tenors as short as one week, provides Islamic banks with greater flexibility in their liquidity management practices. This is particularly beneficial in maintaining a stable funding profile and reducing reliance on non-resident deposits, which can be volatile.

> **The launch of Treasury sukuk by the QCB in 2022 marked [...] provides Islamic banks with a new option for investing their excess liquidity, which was previously limited due to Shariah restrictions on conventional Treasury bills.**

Takaful

Strong growth boosted by mandatory insurance requirements

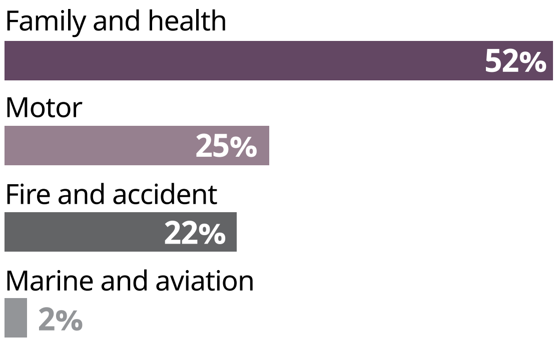
Gross written takaful contributions (GWC)
QAR million



14% Share of total GWP (2024)

13.5% CAGR 2020-2024

Takaful business lines
% of GWC in 2024



Recent Developments

- Mandatory health insurance
- Enhancing governance and risk management
- Regulating digital insurance services
- ESG Supervisory Principles for Insurers

Emerging trends and opportunities

- Strategic acquisitions
- InsurTech
- AI - powered underwriting
- Differentiated EV coverage

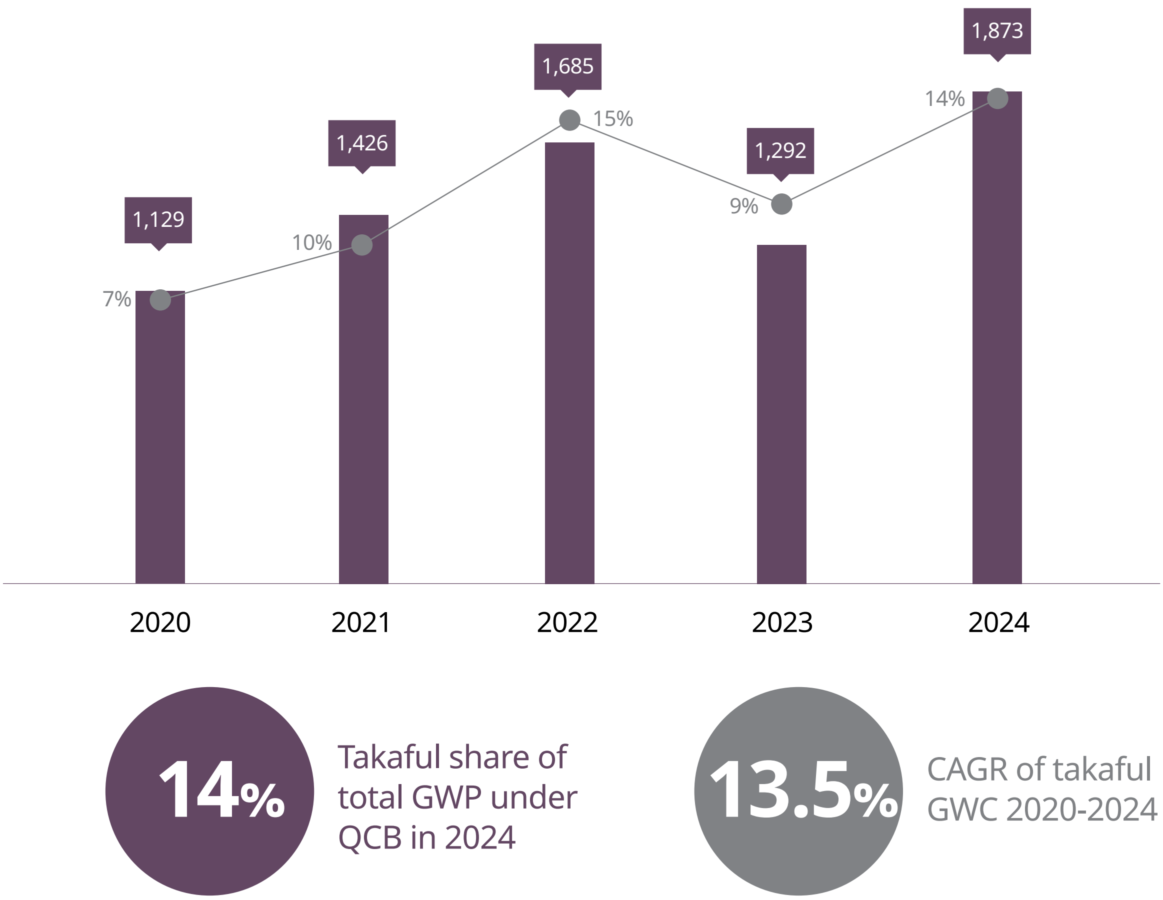
TAKAFUL OUTPACES CONVENTIONAL INSURANCE PREMIUM GROWTH

Qatar's takaful sector has demonstrated notable growth and resilience between 2020 and 2024. Gross written contributions (GWC) for the takaful sector reached $1.9 billion by the end of 2024. This figure, while modest compared to the conventional insurance sector, highlights the steady presence and gradual expansion of takaful in the Qatari market.

From 2020 to 2024, the takaful sector outpaced growth in conventional insurance. While gross written premiums (GWP) for conventional insurance declined by 5.2%, takaful GWC grew at a CAGR of 13.5%. This growth trajectory underscores an increasing preference for Shariah-compliant insurance products in Qatar.

Gross written contributions for takaful in Qatar | 2020 - 2024

QAR million, % of GWP



***Source**: Financial statements, LSEG analysis*

Growth in the takaful sector has been fuelled by several key factors. These include a rising awareness and demand for Shariah-compliant financial products, supportive regulatory frameworks, and the overall economic development in Qatar. The sector has also benefited from increased marketing efforts and the introduction of innovative and tailored takaful products.

The share of takaful's contribution to total GWP in Qatar nearly doubled from 2020 to 2024, from 6% to 11%, indicating a shifting landscape where takaful is becoming more significant in Qatar's insurance industry.

Still, the niche nature of takaful can limit its market penetration compared to conventional insurance. Additionally, conventional insurers often have more aggressive marketing strategies and a wider range of products, which further strengthens their market share.

QIIC, BEEMA AND AL KHALEEJ MAKE UP MORE THAN 80% OF TAKAFUL CONTRIBUTIONS ASSETS

Qatar's insurance sector includes 26 firms regulated by both the QCB and QFCRA. There are five independent takaful companies among them: Qatar Islamic Insurance Company (QIIC), AlKhaleej Takaful Insurance Company, Damaan Islamic Insurance Company (Beema), General Takaful Company (part of Qatar General Insurance and Reinsurance Company), Doha Takaful Company (part of Doha Insurance Group).

Several takaful companies are authorised to operate under the QFCRA, including MedGulf Takaful and Seib Insurance and Reinsurance Company.
The three largest takaful operators are QIIC, Beema and AlKhaleej Takaful, which accounted for around 81% of GWC in 2024. QIIC is the largest takaful operator in Qatar, contributing 29%.

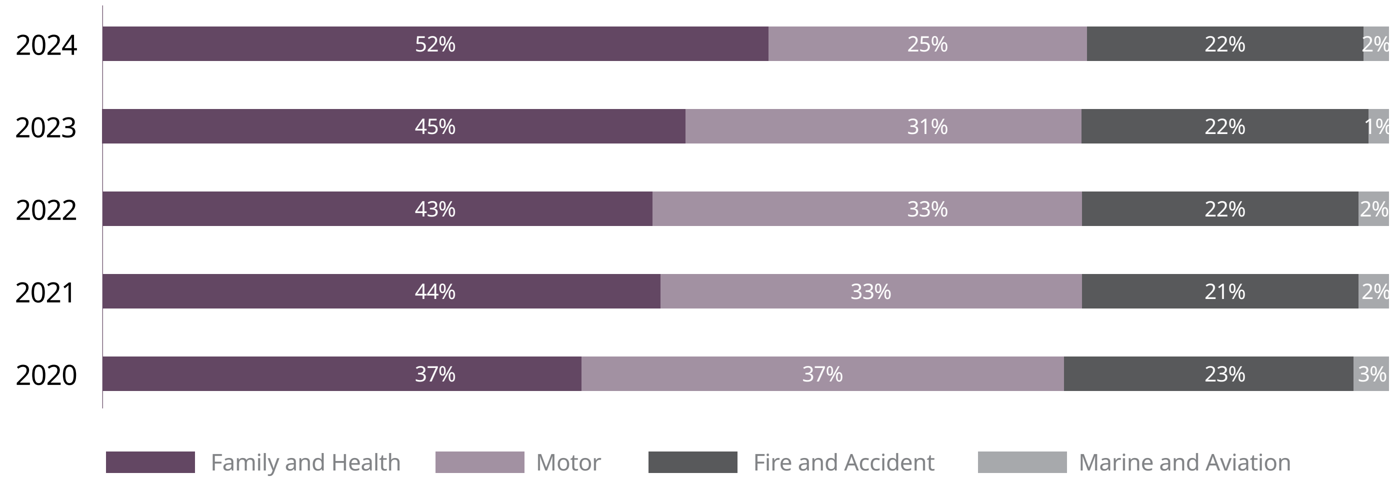
MOTOR, HEALTH AND PROPERTY LINES DOMINATE TAKAFUL OPERATIONS

The takaful business in Qatar encompasses several key lines of business. The most prominent among these are the family/life and health, motor, and property and general accident sectors. Family and health takaful saw the highest growth among takaful segments, achieving a CAGR of 20% between 2020 and 2024, mostly after mandatory health insurance requirements were introduced in 2022 and 2023. The segment was contributing 52% of GWC by the end of 2024, compared to 37% in 2020.

The implementation of mandatory health insurance in Qatar has helped generate substantial demand for health insurance and takaful products. With an estimated 2 million to 2.5 million expatriates obtaining private health insurance through the system, the scheme could generate an additional QAR 1.7 billion to QAR 2.2 billion in GWP, according to estimates by S&P. This influx of premiums is expected to strengthen the financial stability and growth of the local insurance market.

Gross written contributions for takaful in Qatar by business line | 2020 - 2024

% of GWC



***Source**: Financial statements, LSEG analysis*

Motor insurance, another major line, is particularly significant and driven by mandatory requirements for vehicle owners. Growth in motor takaful GWC was flat between 2022 and 2024, mirroring that of conventional motor insurance GWP.

This was mainly a result of stiff price competition, which has suppressed revenues from this segment. Motor takaful's share of GWC dropped from 37% in 2020 to 25% in 2024.

Property insurance, including coverage for residential and commercial properties, is also a vital segment of the industry, especially with the ongoing infrastructure development in Qatar.

QATARI INSURERS REDUCED RELIANCE ON REINSURERS, DESPITE PRE-WORLD CUP RISE

-The insurance ceded by Qatari insurers and takaful providers to reinsurance and re-takaful companies declined to 23% in 2023 from 32% in 2014. The insurance cession rate dropped to its lowest point of 21% in 2018 but then rose to 36% in 2020 and 2021. In the lead-up to the 2022 FIFA World Cup, Qatar saw a significant surge in infrastructure, real estate, and construction projects. These typically involve higher risk exposures, necessitating greater reliance on reinsurance to manage the risks effectively. The cession rate gradually returned to 23% by 2023, despite strong growth in the life and health segment, which Qatari insurers typically retain.

RECENT DEVELOPMENTS

MANDATORY HEALTH INSURANCE FOR EXPATS AND VISITORS

Qatar implemented a new mandatory health insurance system for all expatriates and visitors in 2022 to avoid placing additional strain on its public healthcare system. Non-Qatari residents must have comprehensive health insurance provided by their employers or sponsors, covering a wide range of medical services. Meanwhile, visitors to Qatar are required to have travel health insurance ensuring access to emergency medical care during their stay.

ENHANCING GOVERNANCE AND RISK MANAGEMENT

Regulatory framework for insurance intermediaries: In 2019, the QCB issued Decree No. 7 of 2019, which established comprehensive guidelines for the licensing, regulation, and supervision of insurance intermediaries and insurance-related service providers, in alignment with international standards. The decree covers various aspects of insurance operations, including bancassurance, insurance brokerage, reinsurance, actuarial services, and damage assessment. It emphasises professional conduct and ethical standards to ensure that all service providers operate with integrity and transparency, thereby increasing consumer trust and market stability.

Cybersecurity regulations for insurers: The Insurance Sector Cyber Security Regulation was issued by the QCB in 2019, establishing a set of minimum security requirements for protecting information assets and supporting technologies within insurance companies. The regulation aims to mitigate cyber risks and enhance the resilience of the insurance sector against online threats. It covers various aspects of cybersecurity, including risk management, incident response, and compliance with security standards. By implementing these measures, the regulation seeks to safeguard sensitive data and ensure the continuity of insurance operations in the face of evolving cyber challenges.

Amended insurance rules: The QFCRA introduced the Insurance Business (Amendment) Rules in August 2023 to enhance the regulatory framework governing insurance activities within the QFC. These amendments aim to streamline operations, improve compliance standards, and ensure that insurers adhere to international best practices. By updating these rules, the QFCRA seeks to foster a more robust and transparent insurance sector, thereby boosting investor confidence and protecting policyholders.

ESTABLISHING FOUNDATIONS FOR DIGITAL INSURANCE OFFERINGS

Price comparison website regulations: In 2023, the QCB issued the Insurance Price Comparison Website (PCW) Regulation to regulate platforms that compare insurance policies and prices. It requires such websites to obtain a license from the QCB, ensuring that they operate within a standardised framework. The regulation aims to enhance consumer protection by providing accurate and reliable comparisons, thereby enabling consumers to make informed decisions. It also promotes transparency and competition within the insurance market.

Digital insurer regulations: The QCB issued its Digital Insurer Regulations in April 2024 as part of a broader strategy to stimulate innovation in the FinTech sector and enhance the efficiency of insurance services through technology. The framework aims to support the growth of digital insurers by providing clear guidelines and standards, ensuring that technological advancements are integrated into the insurance sector in a structured and effective manner. The initiative is expected to position Qatar as a regional InsurTech leader, fostering innovation and enhancing the overall quality of insurance services.

ESG AND SUSTAINABILITY STRATEGY FOR THE FINANCIAL SECTOR LAUNCHED

For the insurance and takaful sector, QCB's ESG and Sustainability Strategy for the Financial Sector placed emphasis on green finance, innovation in sustainable insurance products, and enhanced regulatory oversight to ensure compliance with ESG standards. The QCB also introduced its ESG Guidelines for Insurers in the same year. Insurers are now required to incorporate ESG factors into their risk management frameworks, investment strategies, and overall business operations, which will likely lead to more sustainable and ethical business practices.

The [Digital Insurer] regulation are expected to position Qatar as a regional InsurTech leader, fostering innovation and enhancing the overall quality of insurance services.

EMERGING TRENDS AND OPPORTUNITIES

STRATEGIC ACQUISITIONS TO BROADEN CAPACITY AND INCREASE COMPETITIVENESS

The GCC takaful sector has been experiencing a notable trend of consolidation, driven by several key factors. Many small and medium-sized takaful operators have been struggling with profitability due to intense competition and rising operational costs. This has led to a wave of M&A activity as companies seek to strengthen their market positions and achieve economies of scale. Stricter regulations, including higher minimum capital requirements, have put additional pressure on smaller players. These regulations are particularly impactful in markets such as Saudi Arabia and the UAE, where compliance costs are significant.

Despite the challenges, the sector is expected to grow, driven by economic expansion and increasing demand for insurance products. This potential is attracting larger players to consolidate and capture a bigger market share. Many takaful operators are raising additional capital to meet new regulatory standards and support growth. This has been another driver of consolidation, as smaller firms often find it challenging to raise funds independently.

The consolidation trend presents a significant opportunity for Qatar to expand its own takaful market. By acquiring takaful operators or insurers in other countries, Qatari companies can enhance their market presence and diversify their portfolios. This can help Qatari takaful operators gain access to new customer bases, leverage economies of scale, and improve their competitive advantage. Additionally, such acquisitions can facilitate the transfer of expertise and best practices, further strengthening the operational capabilities of Qatari takaful firms.

The expansion can also enhance the capabilities of Qatari takaful operators to underwrite their contributions more effectively. By increasing their underwriting capacity, these operators can retain a larger portion of their business, thereby reducing the need to cede a substantial part of their risk to re-takaful providers. This not only improves their profitability but also strengthens their financial stability and resilience in the face of market fluctuations.

INSURTECH ENABLING SPECIALISED NICHE INSURANCE OFFERING

InsurTech, which leverages technological innovations to enhance efficiency and cost savings in the insurance industry, is considered a significant driver of change by around 82% of insurance executives in Qatar, according to a survey conducted by the QFC in 2023. These innovations include advanced data analytics, artificial intelligence, and blockchain technology, which can streamline operations, improve customer experiences, and reduce costs. The strong endorsement from industry leaders underscores the potential of InsurTech to revolutionize the insurance landscape in Qatar.

The QCB is poised to implement reforms aimed at achieving a “digital leapfrog” in the insurance sector by fostering the development of InsurTech.

This involves establishing the necessary foundations to position Qatar as the recognized InsurTech hub in the region through essential reforms and incentivizing ventures. By creating a supportive environment for InsurTech, the QCB aims to enhance the efficiency and competitiveness of the insurance industry, leveraging technological innovations to drive growth and transformation.

QIC has been a pioneer in adopting InsurTech solutions, investing in several InsurTech startups and hosting the annual MENA InsurTech Summit. QIC's strategic investments include partnerships with Jaguar Transit, MIC Global, and Digital Petroleum, as it aims to offer innovative insurance solutions in key GCC markets and beyond. These partnerships are part of QIC's MENA InsurTech Accelerator programme, which supports innovative startups and creates new investment opportunities.

Additionally, Anoud Tech, a Shariah-compliant InsurTech company established by QIC, provides advanced digital solutions to help insurance companies transition from traditional systems to a digital future. Anoud Tech's platform enhances customer engagement, optimises risk management, and improves operational efficiency for insurers. These initiatives highlight Qatar's commitment to embracing InsurTech and TakafulTech, driving the insurance industry to new heights and meeting the evolving needs of consumers.

AI-POWERED UNDERWRITING FOR MORE EFFICIENT STREAMLINED PROCESSES

AI is transforming insurance underwriting globally, with adoption rates increasing significantly. Deloitte reported that 79% of insurance companies globally had fully deployed three or more types of AI applications by 2024. AI's impact on underwriting spans various functions, including risk assessment, fraud detection, and pricing models. For instance, AI-driven predictive analytics have enhanced risk scoring accuracy by more than 20%, allowing insurers to better evaluate potential policyholders. Additionally, Automated underwriting powered by AI can reduce processing time by 50-70%, allowing insurers to save billions annually.

Despite challenges such as regulatory barriers and cybersecurity concerns, the potential financial impact of AI in the Middle East is substantial, with the region estimated to accrue $320 billion in value added by AI by 2030.

In the GCC, AI adoption in insurance underwriting is gaining momentum with several countries launching national AI strategies and initiatives to drive adoption. Qatar is actively embracing AI in its insurance sector, significantly increasing its AI exposure through policy reforms aimed at boosting human capital and innovation. The QCB has already issued its "Artificial Intelligence Guideline," which came into force in September 2024. This provides comprehensive guidance for AI systems, particularly in terms of governance, risk management, outsourcing, and AI governance policy throughout the AI lifecycle.

Leading takaful providers, such as QIIC and AlKhaleej Takaful Insurance, are leveraging AI to enhance their underwriting and claims processing systems. Both firms utilise AI-driven tools for risk evaluation and underwriting, which helps in accurately assessing policyholder risks and streamlining the underwriting process. Their AI systems also support prompt claim settlements and efficient policy management, ensuring a seamless customer experience. These initiatives highlight Qatar's proactive approach to leveraging AI for a more efficient and innovative underwriting landscape.

BOOSTING MOTOR PREMIUMS WITH DIFFERENTIATED EV POLICIES

The region, including Qatar, is seeing a significant shift towards electric vehicle (EV) adoption. EV registrations grew by a remarkable 150% in 2023, and EVs are expected to account for 10% of total vehicle sales in Qatar by 2023.

Motor insurance is a significant line of business for insurance and takaful in Qatar, although growth in premiums and contributions has been weak. However, there is a substantial opportunity for insurers and takaful providers to develop specialized EV insurance products. QIC and QIIC are already offering comprehensive car insurance plans that cover EV-specific risks.

There is also an opportunity for InsurTechs in Qatar to create more accessible and tailored insurance options for EV owners. These businesses have the potential to lead the EV insurance space by developing innovative products that cater to the unique needs of EV owners. These include coverage for battery damage, charging station incidents, and other EV-specific risks, thereby differentiating their offerings and capturing a growing market segment.

DEVELOPMENTS ACROSS SELECT DEFINED STRATEGIC PLAN OUTCOMES

The Insurance pillar of Qatar's Third Financial Sector Strategic Plan aims to develop a leading insurance sector distinguished by its diverse insurance products and services that drive sector growth and profitability, spread culture of insurance in society, and provide InsurTech products based on tight insurance rules and legislations.

The strategic plan also outlines the main outcomes for the development of the insurance in Qatar. The following are recent developments and key initiatives that have contributed to these outcomes, particularly for Islamic banks.

Insurance outcome 1:
Increased efficiency and operational effectiveness of the insurance sector, with appropriate risk management measures in place

Regulatory enhancements

The regulatory enhancements in Qatar's insurance sector are driving significant improvements in efficiency and operational effectiveness, while ensuring robust risk management measures. Amendments to QFC insurance regulations have been introduced to streamline operations and improve compliance standards, contributing to a more robust and transparent insurance sector. Regulating insurance intermediaries and supporting services enhances efficiency and operational effectiveness by ensuring ethical standards, transparency, and streamlined processes, while also enforcing robust risk management measures to maintain market stability.

Additionally, ESG supervisory principles for insurers enhance efficiency and operational effectiveness by promoting sustainable practices, improving risk management, and fostering transparency. These principles encourage insurers to integrate environmental, social, and governance factors into their decision-making processes, leading to better risk assessment, reduced operational costs, and increased consumer trust.

Digital transformation

Embracing new technologies and digital solutions in the insurance sector comes with a set of risks, including data security, regulatory compliance, and operational challenges. To address these, Qatar is putting in place regulatory frameworks for cybersecurity, insurance price comparison websites, digital insurers, and AI.

These regulations will ensure transparency, the safeguarding of sensitive data, a reduced risk of cyberattacks, ethical use of AI, and robust risk management, while setting operational standards that streamline and maintain digital offerings. This approach not only mitigates potential risks but also supports Qatar's goal of becoming a leader in digital insurance innovation.

Insurance outcome 2:
Strengthened economic contribution and diversification of the insurance sector through increased local investment and retention

Establishment of an InsurTech hub

Qatar is positioning itself as a regional hub for InsurTech as it fosters a supportive environment for startups and integrates digital innovations into traditional practices. The QFC supports this initiative, attracting InsurTech startups and integrating digital innovations such as AI, blockchain, and big data analytics. Meanwhile, the QFCRA is supporting the development of InsurTech by enhancing regulations and fostering a conducive environment for digital transformation.

QIC has been a pioneer in this space, hosting annual InsurTech summits and launching its DVP unit to drive innovation and collaboration within the MENA InsurTech ecosystem. QIC's efforts have been pivotal in establishing the MENA InsurTech Association, which connects innovations, talents, partners, and capital to drive digital transformation in the insurance sector.

Introduction of tailored and new products

The introduction of tailored and innovative insurance products is a key strategy for diversifying Qatar's insurance sector. This involves the introduction of non-traditional and innovative insurance and takaful products, new types of insurance products proposed by the financial sector strategic plan, and new insurance products enabled by InsurTech advancements.

Qatar has introduced several innovative insurance and takaful products to cater to diverse market needs. Insurance companies, supported by the QCB are developing products specifically designed for SMEs and other priority sectors. For instance, GIG Insurance Qatar offers the Business Secure Package designed for SMEs, which includes essential covers like Property All Risk, Employer's Liability, and Public Liability, along with optional covers such as Machinery Breakdown and Professional Indemnity.

The Third Financial Sector Strategic Plan emphasizes the development of new insurance products to drive growth and diversification. This includes climate insurance and green insurance, which address the growing need for protection against environmental risks and support sustainable practices. The strategy also highlights the importance of launching competitive insurance offerings in health and life segments to transform market perception and grow demand.

InsurTech advancements are paving the way for innovative insurance solutions in Qatar. QIC has been a pioneer in this space with its strategic investments in InsurTech startups, which are developing cutting-edge insurance products for key markets in the GCC, Asia, and Africa. These InsurTech-driven products enable the creation of specialized insurance solutions, such as those tailored for EVs and address unique risks associated with EVs.

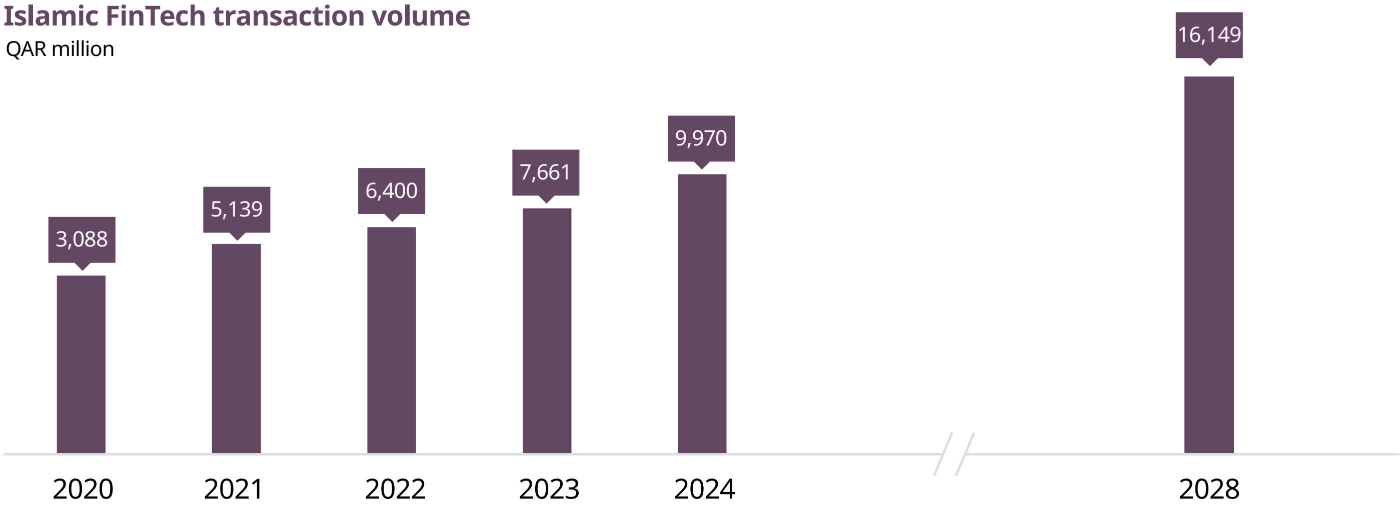
Tailored products increase the accessibility and relevance of insurance, leading to higher market penetration. By leveraging InsurTech solutions, insurers can develop innovative products that cater to local needs, including Shariah-compliant options. These advanced technologies enable more efficient and personalized insurance offerings, enhancing customer experience and operational effectiveness. As a result, insurers can retain more premiums within the country, significantly boosting the sector's economic contribution.


Dusit

Islamic Digital Finance

Regulation and FinTech Strategy supporting Islamic FinTech

Islamic FinTech transaction volume
QAR million



8 Global Islamic FinTech (GIFT) ranking in 2024

26% CAGR 2020-2024

10% CAGR 2024-2028

Recent Developments

- Developing pioneering infrastructure
- Comprehensive FinTech regulations
- Facilitating seamless payments
- QFC's digital assets agenda

Emerging trends and opportunities

- Buy Now, Pay Later (BNPL)
- Digital - only Islamic banks
- Blockchain-powered products
- VC investments in FinTechs

ROBUST REGULATION AND FINTECH STRATEGY SUPPORT ISLAMIC FINTECH GROWTH IN QATAR

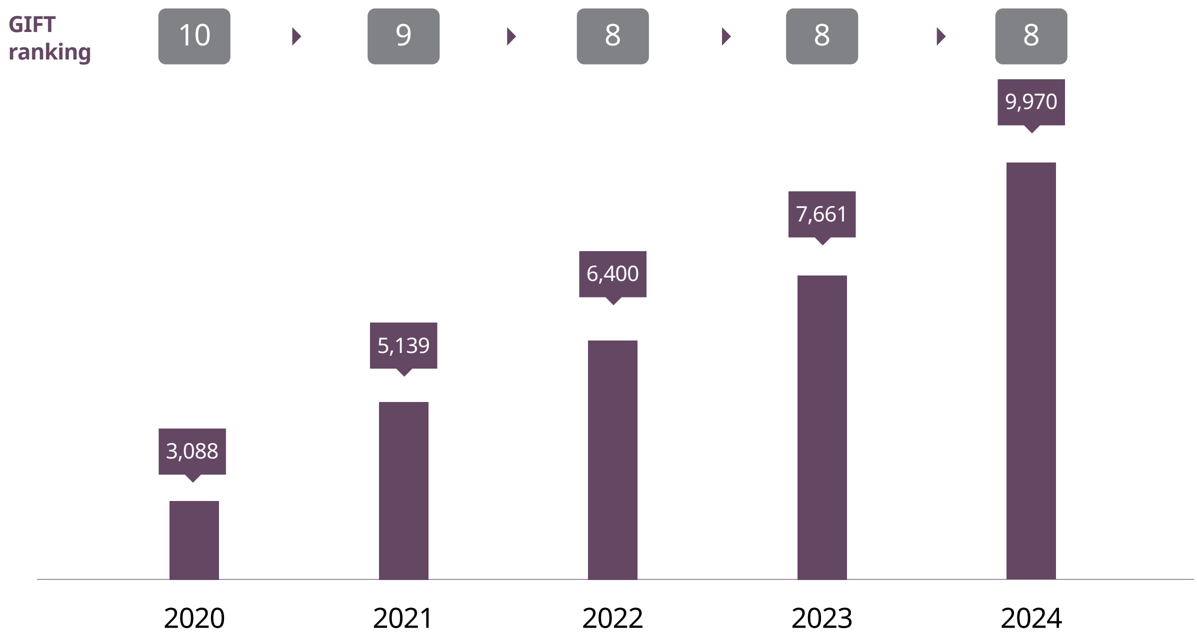
Qatar's Islamic FinTech market has seen remarkable growth during the past five years, reflecting a CAGR of 26%. Total transaction volumes for Islamic FinTechs based in Qatar more than tripled from QAR 3 billion in 2020 to nearly QAR 10 billion in 2024, according to the latest Global Islamic FinTech (GIFT) Report.

Qatar remained in the top 10 countries in the GIFT Index[1], ranking eighth in 2024, supported by a strong overall ecosystem, regulatory environment, and infrastructure for Islamic FinTech.

The market is expected to continue its upward trajectory, with projections indicating a CAGR of 10% in the years to 2028, reaching QAR 16.1 billion in total transaction volumes. This robust growth is being driven by increasing consumer demand, favourable regulatory frameworks, and strategic investments in FinTech infrastructure.

Islamic FinTech transaction volumes in Qatar | 2020 - 2024

QAR million



10% Projected CAGR for Islamic FinTech transaction volumes 2024-2028

QAR 16.1bn Projected size of Islamic FinTech market in Qatar by 2028

***Source**: Global Islamic FinTech Report*

1. The Global Islamic FinTech (GIFT) Index is a composite index designed to evaluate and rank the conduciveness of 64 countries for Islamic FinTech activities across five categories: Islamic FinTech Market & Ecosystem, Talent, Regulation, Infrastructure and Capital.

Payments and enabling technologies constitute the largest segments of Qatar's Islamic FinTech market, by number of companies, reflecting the region's focus on modernising Islamic financial services. This aligns with the broader region, where the digital payments sector is experiencing significant growth driven by the increasing adoption of e-commerce, mobile payments, and contactless payment solutions. Growing use of digital wallets and mobile payment apps highlights the region's shift towards seamless and secure digital transactions.

Enabling technologies, which include innovations such as blockchain and AI, are crucial for modernising financial services in Qatar and enhancing the overall financial infrastructure. They also support the development of more secure and efficient financial systems, which are essential for the growth of Islamic FinTech.

Meanwhile, the digital assets segment, encompassing digital currencies and tokenised assets, is growing in importance, reflecting the region's efforts to integrate advanced financial instruments within the framework of Islamic finance.

Platforms and exchanges such as Cryptocurrency Market Prices and digital wallets like 7sab are gaining popularity as they offer new investment opportunities and financial services that align with Islamic principles. The transparency, security, and decentralisation provided by blockchain technology are particularly appealing in the context of Islamic finance, which emphasises ethical and transparent financial practices. This segment is poised for substantial growth, supported by the QFC's increased regulatory and development focus on digital assets.

WAHED ESTABLISHES REGIONAL PRESENCE IN QATAR

New York-based Wahed, a digital Islamic investment platform and one of the world's largest Islamic FinTechs, set up a regional office at the QFC in 2024, expanding its presence in the region.

By offering innovative Shariah-compliant investment solutions, Wahed aims to cater to the growing demand for Islamic and ethical investments in the region. This strategic move marks a significant milestone for Islamic FinTech in Qatar, aligning with the country's vision to become a leading Islamic finance hub.

In November 2024, Wahed received a strategic investment from QDB as part of the Startup Qatar programme. The amount of the investment was not disclosed. This investment supports Wahed's mission to create a technology-first Islamic finance leader, contributing to the Qatar National Vision 2030 of becoming a leading knowledge-based economy.

In 2022, Wahed had raised $25 million in a funding round led by Wa'ed Ventures, a VC fund backed by Aramco, along with BECO Capital. Wa'ed increased its stake by $50 million later that year.

EXECUTIVE INSIGHTS

Junaid Wahedna
Chairman, Wahed

What factors make Qatar and QFC attractive jurisdictions for establishing or operating Islamic FinTech companies?
To begin with, Qatar has a clear and promising outlook for the future of Islamic Finance, as highlighted in its Vision 2030 objectives. We have been fortunate to recently join this ecosystem, which is rife with opportunity, access, and a willingness to improve on its current status.

Qatar is unapologetic in its support for Islamic finance and its values, providing a strong foundation for founders to be confident in launching and experimenting with new structures. Moreover, the QFC and its players across the FinTech landscape have proven reliable and resourceful when it comes to setting the foundation to achieve these goals.

In your view, where do the greatest opportunities lie for Qatar to become a leader in Islamic FinTech?
Qatar has a unique opportunity to establish itself as a global leader in Islamic finance by leveraging its financial strength and investing in innovative structures that align with Islamic principles. By doing so, the country could follow in the footsteps of its remarkable achievements in other sectors such as sports, education, and media, where it has successfully positioned itself as a pioneer and a hub of influence.

Qatar could further invest in cutting-edge financial structures, such as revenue financing and equity home financing, to create pure-play Islamic products, as the industry has always striven to achieve. By fostering innovation in these areas and forming strategic partnerships with global financial institutions, Qatar can cement its status as a global hub for Islamic finance, offering both Shariah-compliant investments and cutting-edge financial services to investors worldwide.

RECENT DEVELOPMENTS

DEVELOPING A PIONEERING INFRASTRUCTURE FOR DIGITAL FINANCE

Qatar has made significant strides in digital finance and FinTech on the back of initiatives by key regulatory bodies. QDB and the QCB have been pivotal in establishing a robust FinTech ecosystem in alignment with the Qatar National Vision 2030.

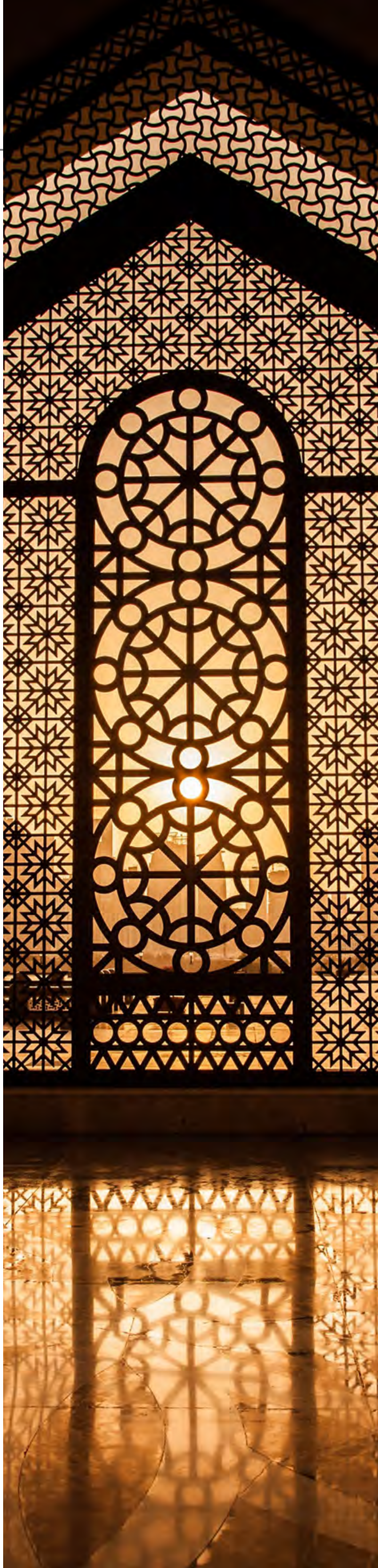
The Qatar FinTech Hub (QFTH), founded by QDB in collaboration with QCB in 2020, is a significant initiative aimed at fostering innovation and growth in the FinTech sector. QFTH's efforts are part of a broader strategy to position Qatar as a leading FinTech hub in the Middle East. By offering a supportive ecosystem, QFTH helps startups navigate the complexities of the financial sector, enabling them to innovate and grow.

QFTH supports FinTech startups through its Incubator and Accelerator programmes, which have attracted numerous international collaborations and investments. These programmes provide startups with essential resources, including mentorship, networking opportunities, and access to a vibrant FinTech community in Qatar.

In 2023, the QCB launched the Qatar FinTech Strategy to enhance the competitiveness of its financial sector. The strategy targets several key segments, including digital payments, RegTech, InsurTech, WealthTech, blockchain and cryptocurrencies, and cybersecurity. It prioritises developing a pioneering infrastructure and a supportive environment for FinTech, promoting digital transformation, fostering innovation, and enhancing regulatory frameworks. The strategy also aims to improve financial inclusion and drive economic diversification by integrating advanced technologies into the financial sector.

In 2020, the QCB launched a regulatory sandbox for FinTech solutions that can demonstrate product readiness and potential. The sandbox allows for faster market entry, reduced testing periods, and a streamlined evaluation process, ensuring that promising innovations are not delayed by lengthy regulatory procedures.

The QCB then launched the Express Sandbox in June 2024, the first of its kind in the region. This expedited programme aims to accelerate market entry for ready and promising FinTech solutions, conducting an even faster regulatory assessment while ensuring high standards of risk management, consumer protection, and system integrity.



REGULATIONS TO PROPEL DIGITAL TRANSFORMATION AND DIGITAL FINANCING SOLUTIONS

The QCB recently introduced a comprehensive series of regulations aimed at accelerating digital transformation of incumbent financial institutions and expanding the scope of FinTech solutions in Qatar.

The QCB issued its Artificial Intelligence Guidelines in September 2024, which mandate that financial institutions must develop robust AI strategies, conduct risk assessments, and ensure human oversight of all AI systems. These guidelines emphasise transparency, accountability, and the ethical use of AI to mitigate risks such as biases and privacy concerns. Earlier, in July 2024, Distributed Ledger Technology (DLT) Guidelines were issued to provide a regulatory framework for the technology's use in the financial sector. It outlines governance protocols, risk management practices, and compliance requirements.

Digital transformation is also supported by regulations such as the Cloud Computing Regulation, Regulatory Framework for Digital Banks and Digital Insurer Regulation, which enhance operational efficiency and scalability while ensuring data security and compliance. Compliance with these regulations can provide financial institutions with a competitive edge, as they will align them with the latest regulatory standards and position them as leaders in innovation and customer service. Additionally, the E-KYC Regulations issued in 2023 streamline customer onboarding and verification processes through electronic methods, enhancing security and efficiency in identity verification.

Other notable regulations issued in 2024 include the Buy-Now-Pay-Later (BNPL) Regulations, which set licensing requirements and consumer protection measures for such providers, and the Loan-Based Crowdfunding Regulation, which facilitates short-term financing for SMEs through innovative financial platforms.

Facilitating seamless payments

One key initiative is the introduction of the Himyan payment card, the first national prepaid card in Qatar. This card is designed to boost financial inclusion and provide a convenient, cashless payment solution that allows secure transactions within the country, while aligning with Shariah-compliant financial practices.

Another significant development is the launch of the Qatar Mobile Payment (QMP) system, the country's first instant national interoperable switch for mobile payment services. This system connects all licensed mobile payment service providers, enabling secure and instant payments via smartphones. Users can register digital wallets through authorised providers, facilitating person-to-person (P2P) and person-to-business (P2B) transfers, as well as QR code payments. The QMP system provides a platform for Shariah-compliant digital payments, thereby promoting financial inclusion and innovation in line with Shariah principles.

The Payment Services Regulation issued in 2021 formalises the licensing and supervision of payment service providers, ensuring secure and efficient payment systems. It includes provisions for e-money issuance, merchant acquisition services, and domestic money transfers.

QFC DRIVING QATAR'S DIGITAL ASSETS AGENDA

The QFC has begun to establish an ecosystem that can position Qatar as a leading hub for digital assets. In 2023, QFC launched the QFC Innovation Dome, one of the region's largest initiatives for digital innovation. It is a "visionary umbrella" encompassing transformative initiatives: QFC Digital Assets Lab, QFC Digital Assets Venture Studio and QFC Metaverse.

Also launched in 2023, the QFC Digital Assets Lab serves as a hub for innovation, research, and development within the DLT. The lab provides a collaborative environment for startups, businesses, and researchers to explore and create innovative solutions, products, and services related to digital assets. The lab also offers pathways for securing full operational licenses in Qatar, supporting the commercialisation of promising digital asset solutions.

In May 2024, the QFC signed a MoU with The Hashgraph Association to explore a strategic partnership for launching a Digital Assets Venture Studio. This initiative aims to foster innovation by providing startups and SMEs with training, financing, engineering resources, and support for research and development. The venture studio will focus on supporting local and international companies in developing regulatory-compliant decentralized finance (DeFi) solutions and digital assets built on the Hedera Distributed Ledger Technology (DLT) network.

The QFC issued its Digital Assets Framework in September 2024, a comprehensive regulatory regime designed to establish a robust legal foundation for digital assets in Qatar. This framework covers various aspects, including the process of tokenisation, legal recognition of property rights in tokens and their underlying assets, custody arrangements, transfer, and exchange. It also provides for the legal recognition of smart contracts, ensuring a secure and transparent digital asset ecosystem in line with international standards. The framework aims to foster trust and confidence among consumers, service providers, and industry stakeholders. Launched in February 2025, the QFC Metaverse builds on the success of the QFC Digital Assets Lab and aims, through Web3 technology, to establish a borderless financial and FinTech hub. The QFC Metaverse will offer a variety of functions, providing an immersive digital platform for business engagement, collaboration, and innovation. It will offer QFC firms a virtual space to showcase FinTech and digital asset solutions, facilitate business networking and engagement, and serve as a hub for virtual workshops, training sessions, and expert-led discussions.

On another note, Qatar has made notable progress with its own central bank digital currency (CBDC) project. The QCB has completed the infrastructure for its CBDC and commenced its first experimental in 2024, focusing on testing CBDC applications for settling large payments among local and international banks, leveraging AI and DLT to enhance liquidity and transaction efficiency.

EMERGING TRENDS AND OPPORTUNITIES

RISE OF E-COMMERCE DRIVING DEMAND FOR BNPL

BNPL solutions are rapidly gaining traction in the region, driven by increasing demand for flexible payment solutions and the rise of e-commerce. The region has seen significant adoption of BNPL services, with companies like Tamara and Tabby leading the market and reshaping consumer behaviour.

In Qatar, the potential for Islamic FinTechs in this area is substantial. Islamic finance principles, which prohibit interest (riba) and emphasise ethical lending, align well with the BNPL model's interest-free structure. By integrating BNPL services with Islamic finance, FinTechs in Qatar can provide a value proposition that combines financial inclusivity with adherence to Shariah principles. Qatar has already taken significant steps to capitalise on this opportunity, with the QCB having approved five companies, including Spendwisor Inc. and PayLater, to participate in a regulatory sandbox for BNPL services.

DIGITAL-ONLY ISLAMIC BANKS FOR A NEW GENERATION OF CUSTOMERS

The number of digital-only Islamic banks in the region is also on the rise, driven by a robust digital infrastructure and growing demand for Shariah-compliant financial services. These banks cater to a tech-savvy, younger population seeking convenient and ethical banking solutions. They may use advanced technologies such as AI, blockchain, and biometric authentication to enhance customer experience and operational efficiency.

In Qatar, the opportunities for setting up digital-only banks are promising, supported by a conducive regulatory environment and a high level of digital adoption among the population. The QCB has introduced several regulatory enablers to facilitate the entry of new digital FinTech players, including a digital bank regulatory framework.

The growing emphasis on digital transformation in the banking sector, coupled with government support, is creating fertile ground for the establishment and growth of digital-only Islamic banks in Qatar. One example is Qatari FinTech TESS Payments, which secured an investment from Singapore-based Fingular, with the two collaborating to fast-track the creation of a fully digital, customer-focused neobank. The partnership plans to issue over $600 million in loans to Qatari residents within three years.

"The growing emphasis on digital transformation in the banking sector, coupled with government support, is creating fertile ground for the establishment and growth of digital-only Islamic banks in Qatar.

BLOCKCHAIN CREATING NEW GROWTH AVENUES

A study by the Islamic Development Bank and the United Nations Development Programme (UNDP) titled "Islamic Finance Going Digital: Blockchain as a Tool to Catalyze Multi-billion Waqf for SDGs" revealed that Islamic financial institutions are increasingly embracing blockchain technology amid a wave of digital transformation.

Blockchain technology aligns well with Shariah principles by promoting transparency, reducing fraud, and facilitating decentralised transactions, but also creates new avenues for growth and resilience in the Islamic finance industry. This has led to the development of innovative financial products such as digital sukuk and smart contracts that automate Shariah-compliant agreements.

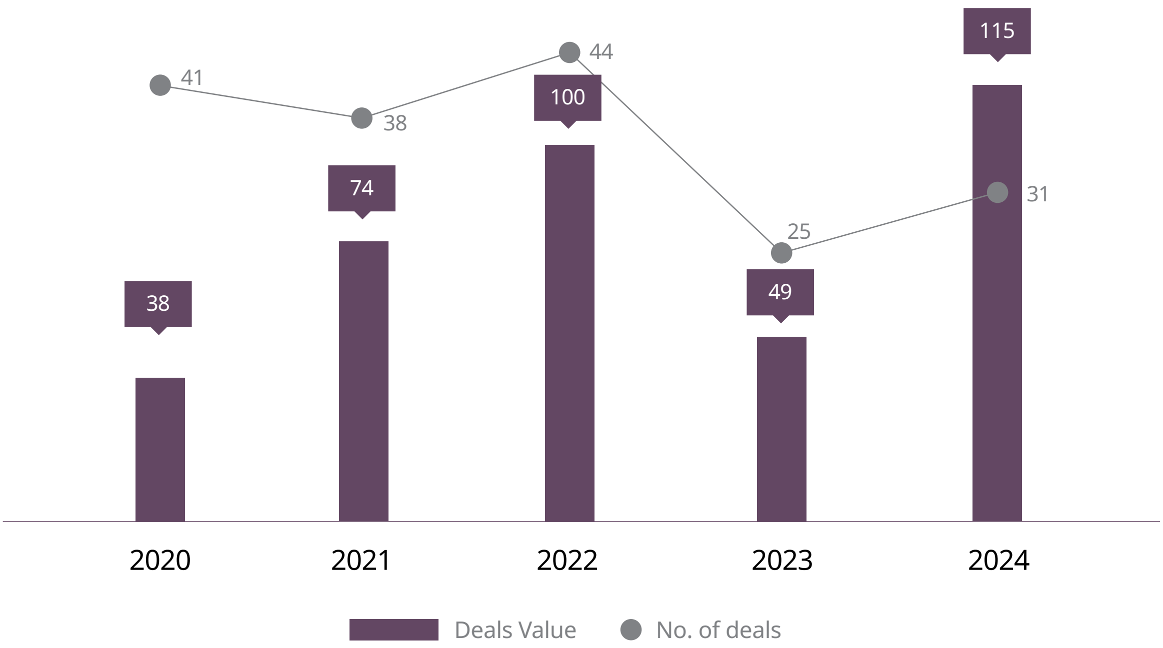
The potential business opportunities for blockchain in the Islamic finance industry are vast and varied. Blockchain can facilitate Shariah-compliant microfinance services, lowering transaction costs and broadening access to financial services. It can also improve the efficiency and transparency of Zakat and Sadaqah transactions, ensuring that funds are swiftly and accurately distributed to those in need. Additionally, blockchain can be leveraged for more efficient issuance and trading of sukuk, increasing their liquidity and attractiveness to investors.

UNLOCKING VC INVESTMENTS FOR FINTECHS

In 2024, the total value of VC investment deals in Qatar reached QAR 115 million, marking a 135% increase from 2023 despite a global slowdown in VC investments. FinTech continued to dominate as the most transacted industry, securing investments worth QAR 64 million, or 56% of total VC investments in Qatar.

VC investment deal value in Qatar | 2020 - 2024

QAR million, No. of deals



Source: *MAGNiTT*

QDB Investments

QDB has been instrumental in empowering VC investments in Qatar in the past decade, actively investing in FinTech among other sectors to foster innovation, support the growth of Qatar's digital economy and strengthen the entrepreneurial ecosystem through various programmes, such as the Startup Qatar initiative. By the end of 2024, QDB's investment portfolio reached QAR 302.4 million across eight funds, with a notable increase in employment opportunities created by QDB-supported companies

QDB's investment strategy in FinTech is aligned with Qatar National Vision 2030, which seeks to build a diversified, sustainable, and knowledge-based economy. By attracting cutting-edge global FinTech solutions and drawing international entrepreneurs to Qatar, QDB aims to stimulate investment in startups and increase FinTech adoption. The development bank's efforts have led to a significant increase in VC deals, with Qatar now ranking as one of the top countries in the MENA region for FinTech investments.

QIC Digital Venture Partners

Launched in 2022, QIC Digital Ventures Partners (QIC DVP) is the VC arm of Qatar Insurance Group. The firm builds new digital ventures and strategically invests in early-stage companies, leveraging existing assets and partnering with technology companies and other corporations. It aims to act as an ecosystem orchestrator for insurance and InsurTech in the MENA region, connecting regional and international ventures with strategic growth opportunities through its global network.

QIC DVP is particularly focused on investing in sectors such as InsurTech, FinTech, and digital health. It has invested in various InsurTech ventures across the insurance value chain, including product, underwriting, distribution, claims, and customer service. Notable funded ventures include startups focused on AI-driven underwriting solutions, digital platforms for streamlined claims processing, and health insurance apps leveraging telemedicine technologies.

These investments are expected to drive significant advancements in the insurance and FinTech sectors, leading to more efficient, customer-centric services. Through these efforts, QIC DVP is poised to contribute to a more technologically advanced and competitive financial services sector in the region.

QIC DVP is also actively involved in organising and participating in MENA Insurtech events. One such event is the MENA Insurtech Summit, which brings together top leaders, venture capitalists, and premier startups from the region to explore the latest trends and opportunities in the InsurTech ecosystem.

Qatar Web Summit

Qatar hosted its first Web Summit in 2024, becoming the first country in the region to do so, aiming to enhance its position as an innovation and technology hub. The Web Summit series is one of the world's largest technology conferences, connecting a new generation of entrepreneurs with global investors and industry leaders, fostering innovation and collaboration within the tech industry.

The inaugural event had a notable impact on Qatar's FinTech and startup ecosystems. One of the major outcomes was the announcement of QIA's $1 billion Fund of Funds to support entrepreneurs and startups in the region, with FinTech being one of the programme's priority sectors. Additionally, the QFC signed multiple MoUs with international entities to enhance cooperation in FinTech and digital finance. The launch of Startup Qatar, an online platform designed to attract international startups by offering funding, incentives, and logistical support, was another significant outcome.

Building on the success of the inaugural event, Qatar hosted the second edition in February 2025, which continued to focus on FinTech with significant announcements and initiatives. The QFC launched the QFC Metaverse, an interactive platform for players in the financial and digital industries to engage and explore opportunities, with the goal of transforming into a fully-fledged virtual financial district. Additionally, QDB and QNB renewed their partnership to foster innovation in the FinTech sector. This partnership includes the launch of an accelerator program aimed at promoting FinTech innovation, providing support and guidance to promising startups, and assisting them in accessing markets and navigating licensing processes.

EXECUTIVE INSIGHTS

Abdulrahman Hesham Al-Sowaidi
Chief Executive Office, Qatar Development Bank (QDB)

What is your outlook on the future of Islamic finance in Qatar, particularly regarding innovations like Islamic FinTech? What key opportunities and challenges do you foresee?
Islamic finance in Qatar is undergoing a transformative phase, driven by innovation. The Third Financial Sector Strategic Plan highlights Islamic finance as one of five cross-cutting themes on which we will focus on in the next five years. A dedicated Islamic finance master strategy has been developed in this regard and is currently being implemented by all concerned stakeholders.

With regards to Islamic FinTech, the Qatar FinTech Hub (QFTH) has been instrumental in fostering this evolution. Since its launch in 2020, the QFTH has supported more than 100 FinTech startups, in alignment with the National FinTech Strategy.

Blockchain and AI offer significant potential to enhance transparency and efficiency in Shariah-compliant finance. Emerging platforms automate compliance, streamline Tawarruq, and scale Murabaha. However, robust regulations and ensuring Shariah adherence in new technologies are crucial. Collaborative efforts among stakeholders are essential to address these challenges.

We are also keen on investing in leading international Islamic FinTech platforms. For example, through Startup Qatar, QDB recently invested in Wahed, a leading global halal investing platform. Wahed subsequently established its regional headquarters in Doha and aims to expand its operations within Qatar.

Thus, Qatar is well-positioned to lead globally in Islamic finance, setting benchmarks for innovation and sustainability in the $4.9 trillion Islamic finance industry.

Which specific initiatives will Qatar Development Bank prioritise in the coming years?
At QDB, we see the coming years as a pivotal period to strengthen our role as an enabler and orchestrator of Qatar's business ecosystem. Our updated 2025-2030 strategy is built upon the achievements of previous years, aligning seamlessly with the Third National Development Strategy and Qatar National Vision 2030.

Our core focus remains on customer-centric innovation. We are reimagining our services to provide tailored, bundled solutions that are adapted to the evolving needs of entrepreneurs and support them at every stage of their journey. By refining and introducing new services, we aim to create a dynamic support system that fosters sustainable success for businesses in Qatar. We are also deepening our strategic focus on priority clusters and intensifying coordination with ecosystem partners to drive greater impact. Specifically, we are enhancing support at the earliest stages of entrepreneurship, particularly in the pre-seed and seed phases, while also fostering joint investment in later stages, expanding guarantee programmes, and strengthening angel investment networks.

Islamic finance remains a cornerstone of Qatar's economic landscape, deeply embedded in our national financial framework. As part of Qatar's Third Financial Sector Strategic Plan, Islamic finance is playing a crucial role in developing a financial and capital market that leads the region in innovation, efficiency, and investor protection, in alignment with Qatar National Vision 2030.
At QDB, we take great pride in being at the forefront of Islamic finance innovation. Every financial product we offer is Shariah-compliant, guided by our dedicated Shariah board, ensuring that all new products adhere to the highest standards of compliance and integrity.

Looking ahead, we are prioritising digital transformation by integrating advanced digital solutions to enhance service delivery and accessibility. These initiatives reinforce QDB's commitment to fostering a resilient, diversified economy, one that empowers businesses, drives exports, and leverages technology for long-term prosperity.

DEVELOPMENTS ACROSS SELECT DEFINED STRATEGIC PLAN OUTCOMES

The Digital Finance pillar of Qatar's Third Financial Sector Strategic Plan aims to position the country as a leading ecosystem embracing emerging technologies and to accelerate digital transformation supported by adaptable and consistent regulatory frameworks and trusted market infrastructure.

The Strategic Plan also outlines the main outcomes for the development of digital finance in Qatar. The following are recent developments and key initiatives that have contributed to these outcomes, particularly for Islamic banks.

Digital finance outcome 1:
Appropriate regulatory frameworks supporting the accelerated digital transformation of the financial sector

Qatar has been making significant progress in developing adaptable regulatory frameworks to support digital innovation, particularly within its financial sector. This effort is part of a broader strategy to ensure the financial sector can keep pace with rapid technological advancements while maintaining trust and security.

The increasing pace of regulatory activity by the QCB and the QFCRA reflects a proactive approach to managing the rapid evolution of the financial sector. There has been a noticeable acceleration in the issuance of regulations following the launch of the Third Financial Sector Strategy, particularly in emerging areas such as AI, DLT and blockchain, and digital assets.

The Artificial Intelligence Guidelines ensure ethical and transparent AI use, while the Distributed Ledger Technology (DLT) Guidelines offer a secure framework for DLT applications. The Cloud Computing Regulation boosts operational efficiency and data security, and the Digital Insurer Regulation fosters innovation in financial services. Additionally, the E-KYC Regulations streamline customer onboarding, enhancing the overall digital experience.

The Regulatory Framework for Digital Banking ensures digital banks operate with the same level of trust and security as traditional banks, supporting comprehensive banking services through online platforms and mobile applications. The Digital Assets Framework establishes the legal and regulatory foundation for digital assets, ensuring a secure and transparent digital asset ecosystem. These measures collectively position Qatar's financial institutions at the forefront of digital finance and Islamic FinTech.

The QCB's Qatar FinTech Strategy 2023 targets key segments such as digital payments, RegTech, InsurTech, WealthTech, blockchain, and cybersecurity, fostering innovation and enhancing regulatory frameworks. In addition, the launch of QCB's regulatory sandbox, followed by the Express Sandbox, facilitates quicker market entry for new innovative FinTechs.
These initiatives have significantly accelerated digital transformation in Qatar's

financial sector. By creating a supportive environment for FinTech startups and promoting digital innovation, Qatar has enhanced operational efficiency, improved financial inclusion, and driven economic diversification. The integration of advanced technologies and streamlined regulatory processes has positioned Qatar as a leader in digital finance and FinTech, ensuring that its financial institutions remain competitive and innovative in a rapidly evolving global market.

Digital finance outcome 2:
Supportive infrastructural, educational and technological facilities for optimal deployment of technology

Qatar is building a robust digital finance ecosystem that supports the growth of FinTech companies by providing the necessary infrastructure and regulatory support. The QCB's FinTech strategy emphasizes creating a conducive environment for innovation in digital finance.

Educational and technological facilities

Qatar has partnered with leading educational institutions to offer specialised programmes in FinTech and digital finance. The programmes are designed to equip students and professionals with the necessary skills to thrive in the rapidly evolving FinTech landscape. For example, the QFTH collaborates with universities to provide courses and certifications in blockchain, digital payments, and other FinTech areas.

The country has also established innovation labs and research centres focused on FinTech. These facilities provide a collaborative environment for students, researchers, and industry professionals to develop and test new financial technologies.

Regular workshops and training sessions are conducted to keep professionals up to date on the latest trends and technologies in digital finance. These sessions cover topics such as artificial intelligence in finance, cybersecurity, and RegTech. The QCB also organises events to promote knowledge-sharing and professional development in FinTech.

Support for startups and entrepreneurs

QFTH provides comprehensive support to startups and entrepreneurs in the FinTech sector through various initiatives. These include incubator and accelerator programmes that offer workshops, business development assistance, and regulatory support. Startups can access significant funding, with more than $16 million allocated for pre-seed investments, and receive guidance from a network of over 40 international and local mentors. Additionally, QFTH facilitates networking opportunities, connecting startups with investors, industry experts, and potential clients to help them build valuable relationships.

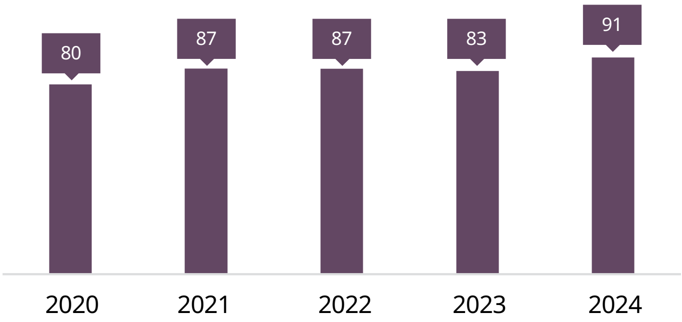
QFTH also ensures that startups gain global exposure by collaborating with international FinTech hubs, providing insights into global best practices and trends. The support extends across diverse FinTech areas such as payment technology, RegTech, Islamic finance, and SME solutions, creating a thriving ecosystem that enables startups to innovate, scale, and succeed in the competitive digital finance sector.

Islamic Capital Markets

Sovereign issuance driving sukuk growth

Qatari sukuk value outstanding

QAR billion



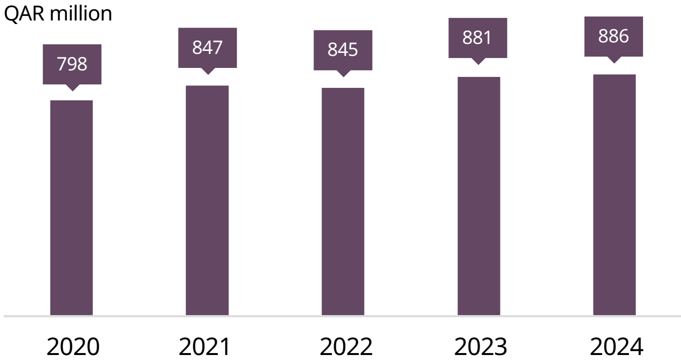
20% share of total bond value outstanding (2024)

3.2% CAGR 2020-2024

Challenged growth for Islamic funds

Value outstanding for Qatari Islamic funds

QAR million



65% Share of total funds' value (2024)

2.7% CAGR 2020-2024

Recent Developments

- Regulatory and structural reforms
- Enhancing trading infrastructure
- Introduction of new products and markets
- Enabling ESG debt issuance

Emerging trends and opportunities

- Treasury sukuk
- ESG capital markets growth
- AAOIFI Standard 62
- Sukuk funds
- Blockchain for sukuk issuance
- Sector-focused Islamic ETFs
- QIA's VC Fund of Funds

SUKUK ISSUANCE GROWTH OUTPACING CONVENTIONAL BONDS, DRIVEN BY SOVEREIGN ISSUANCE

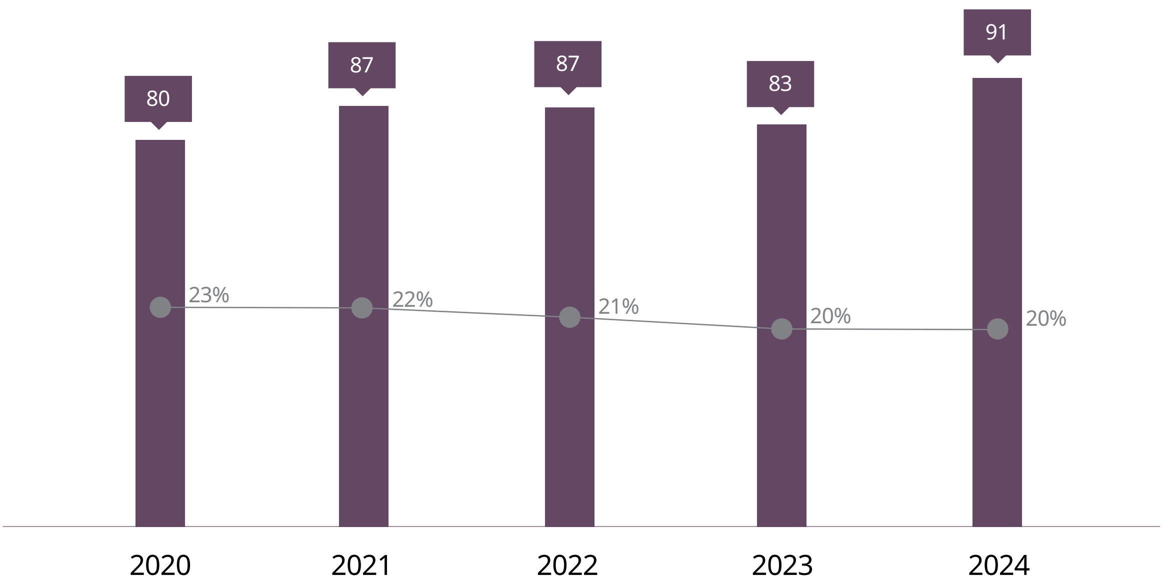
Qatar's sukuk market demonstrated modest growth between 2020 and 2024. In terms of value outstanding, the market grew from QAR 80.4 billion in 2020 to QAR 91.3 billion by the end of 2024. This represents a CAGR of 3.2%, compared to 7.2% for conventional bonds over the same period. Sukuk accounted for 20% of debt issuance from Qatar-based issuer by the end of 2024, down a touch from 23% in 2020.The Qatari government has favoured conventional bonds offered in international markets for most of its debt issuance, as with corporate issuers except for Islamic banks.

Sukuk from Qatar-based issuers has grown significantly, from QAR 9.2 billion in issuance in 2020 to QAR 30.4 billion in 2024. This represented a CAGR of 35%. In contrast, conventional bond issuance recorded a negative CAGR of 10%. Meanwhile, sukuk's share of debt issuance from Qatar more than tripled, from 12% in 2020 to 41% in 2024.

One key factor contributing to this growth in sukuk issuance was the introduction of treasury sukuk by the QCB in 2022. These sukuk were introduced to help diversify the investor base, attract Shariah-compliant investors, and promote financial inclusion. It aimed to provide domestic Islamic banks with a venue to invest their excess liquidity, which was previously limited to conventional banks due to Shariah restrictions.

Qatari sukuk value outstanding | 2020 - 2024

QAR billion, % of bonds' total value outstanding



20% Sukuk's share of Qatar's bond market as of 2024

3.2% CAGR for Qatari sukuk outstanding 2020-2024

***Source**: LSEG Workspace*

SOVEREIGN SUKUK DOMINATE SUKUK AND DOMESTIC ISSUANCE

The Qatari government has been the primary driver of sukuk issuances, contributing to 50% of the cumulative sukuk issued since 2020. Islamic banks in Qatar have also played a significant role, making up 49% of the issuances during this period. QIB was the largest such issuer, accounting for 29% of the total.

Nearly all Qatari riyal-denominated sukuk sold between 2020 and 2024 can be attributed to sovereign issuance, with the exception of sukuk issued by Estithmar Holding in 2024. Estithmar Holding issued a total of QAR 645 million on London Stock Exchange's International Securities Market (ISM) during the year, making it the first corporate issuer to offer Qatari riyal-denominated sukuk outside of Qatar.

The remaining 49% consisted of dollar- and yuan-denominated sukuk sold in international markets. QIB has been the only Qatar-based issuer to offer yuan sukuk, tapping demand from investors in Asian markets. The bank had previously issued the first Formosa sukuk –a dollar sukuk offered in the Taiwanese market– which raised $800 million on Taipei Exchange.

EXECUTIVE INSIGHTS

Michael Grifferty
President, The Gulf Capital Market Association (GCMA)

How would you evaluate the development of Qatar's domestic capital markets compared to five years ago? What key changes and improvements have you observed?
Qatar's domestic markets have been buoyed by a robust economy underpinned by supportive public spending and the authorities' commitment to invest in economic transformation. Adding in a well-capitalized banking system and regulatory developments, the case for the Qatar market has only strengthened. Regulators for their part are laying the foundation for more active debt and equity markets with further market liberalization, including by easing listing requirements and providing greater clarity about the path to issuance of both debt and equity instruments. Rounding out the ecosystem are the recent establishment of a ventures exchange, and the completion of a groundwork for listed derivatives to allow trading of futures and options. We have also begun to see some activity in securities borrowing and lending (SBL).

What potential do you see for positioning Qatar as an attractive jurisdiction for the listing and domicile of sustainable sukuk and funds, and how can these factors be leveraged to attract more issuers?
Qatar's debt capital market is an exciting work in progress. We have already seen an increase in the diversity of issuers and structures, many in sukuk format and increasingly for sustainable uses. The State led in this regard by issuing a green bond in a benchmark size, and was the first regional sovereign to do so. Banks have added labelled ESG bonds and sukuk to their active issuance programmes. Qatar Central Bank (QCB) is certainly behind this trend, having published its ESG and Sustainability Strategy for the Financial Sector in 2024. This is having results, as almost 20% of the debt capital market is being issued for ESG purposes, according to Fitch. The local capital market regulator is also committed to the sustainable sector and has increased the clarity around the issuance and listing of debt. The loyal currency market has begun to gain traction as it saw its first issuance by a publicly listed company in 2024 and there is a possibility that Qatar may intensify the development of its nascent state local-currency programme.

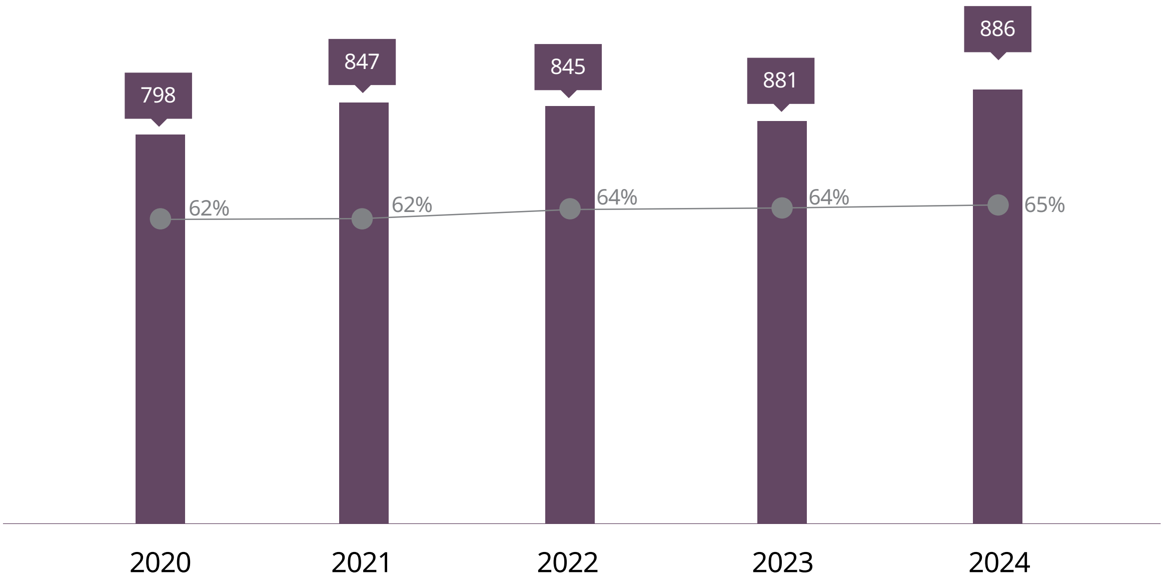
CHALLENGED GROWTH FOR ISLAMIC FUNDS IN QATAR

Islamic funds saw muted growth in value between 2020 and 2024, with total outstanding value growing at a CAGR of 2.7% to QAR 886 billion in 2024. The value of conventional funds reduced at a negative CAGR of 0.8% during the same period.

The subdued growth in Qatari fund markets can be attributed to several factors, including the liquidation of five funds since 2019 and the near-absence of new fund launches since 2018. In addition, most funds during this period were managed by a handful of investment managers.

Value outstanding for Qatari Islamic funds | 2020 - 2024

QAR million, % of total fund value



65% Islamic funds' share of Qatari funds' value as of 2024

2.7% CAGR for Qatari Islamic funds' value 2020-2024

Source*: LSEG Lipper*

Islamic funds have increasingly dominated the funds' market in Qatar, accounting for 65% of total funds' value in 2024.
Mutual funds made up nearly 90% of the total number of funds in Qatar in 2024, while Islamic funds were equally split between mutual funds and ETFs. Additionally, 75% of conventional funds invested in equities with the remaining 25% in bonds and commodities. However, Islamic funds were either equity-focused or invested in mixed asset portfolios.

RECENT DEVELOPMENTS

REGULATORY AND STRUCTURAL REFORMS

Qatar has implemented several regulatory and structural reforms to enhance its financial market infrastructure and investor protection. Margin trading rules were updated by QFMA in 2019 and further amended in 2021, to introduce stricter requirements for margin accounts and improved risk management practices, ensuring a more secure and transparent trading environment.

The QFMA also introduced the Customer and Investor Protection Rules in the same year, providing a framework for protecting investors, including principles of fair treatment and requirements for disclosure and transparency, applicable to both retail and professional investors.

This was followed by the Covered Short Selling Rules in 2022, which were introduced to add new financial services activities and increase trading volumes and liquidity rates in the market, maximising the returns of investors from trading in the Qatari capital market. Meanwhile, its Securities Lending & Borrowing Rules were issued to support the continuous development and update of capital market regulations and legislation, align with global developments, and meet local market needs.

QFC SUKUK HANDBOOK

As part of its efforts to further develop the sukuk market in Qatar, the QFC, in collaboration with Dentons, launched the QFC Sukuk Handbook in April 2025. The handbook serves as a practical guide for potential sukuk issuers and market players, covering the nuances of sukuk issuance when compared to conventional bonds. The document provides in-depth coverage of common sukuk structures, including case studies on their use and structuring in Qatar.

Additionally, the handbook offers guidance on the issuance process, from selecting a suitable structure to offering and listing. It also addresses key market considerations such as credit ratings, defaults, sustainable issuances, and the potential impact of Standard 62.

ENHANCING TRADING INFRASTRUCTURE

EDAA (Qatar Central Securities Depository) was established by the QCB and the QSE in 2019 to enhance the infrastructure for financial instruments in the Qatari market, thereby improving market efficiency, transparency, and investor confidence.

The QSE Venture Market (QEVM) was launched in 2021 to provide a platform for SMEs to access funding with less stringent listing requirements, fostering innovation and economic growth.

A new high-performance trading platform was launched by the QSE in 2023, in collaboration with the London Stock Exchange Group, to support multi-asset and multi-market trading, ensuring ultra-low latency and high throughput for fast and efficient transactions. The platform is scalable, robust, and capable of handling increased trading volumes and accommodating new investment instruments, which aligns with global standards and best practices.

INTRODUCTION OF NEW PRODUCTS AND OPENING NEW MARKETS

The QFCRA introduced Professional Investor Fund Rules in 2021, creating a new category of Certified Professional Investor Funds (CPIFs) designed for professional investors. These rules allow for reduced capital requirements for fund managers and permit the outsourcing of certain functions, such as compliance and finance, with no borrowing restrictions, no restrictions on asset types, and no concentration limits.

In 2023, the QFCRA introduced the Derivatives Market Framework to expand the range of financial instruments available to investors and improve market resilience. Additionally, the Book Building Rules, regulated by the QFMA, offer guidelines for the process of generating, capturing, and recording investor demand for shares during an IPO.

ESTABLISHING THE GROUNDWORK FOR ESG DEBT ISSUANCE

In 2022, Qatar National Bank (QNB) issued Qatar's inaugural green bond, successfully raising $600 million. This landmark issuance garnered significant investor interest, resulting in the bond being oversubscribed by three times.

In the same year, the QFCRA introduced its Sustainability Sukuk and Bonds Framework, based on the International Capital Markets Association (ICMA)'s Green Bond Principles, Social Bond Principles, and Sustainability Bond Guidelines. This framework aims to promote transparency, appropriate disclosures, and reporting, ensuring that these instruments meet their objectives and mnimise the risks of greenwashing.

A surge in ESG bond and sukuk issuance followed in 2024, collectively raising $3.5 billion. In January 2024, QIIB issued a $500 million sustainability sukuk – Oryx sukuk. This was the first ESG sukuk from a Qatar-based issuer and met overwhelming demand, being oversubscribed by more than eight times. Over 120 investors from more than 19 countries participated in the issuance, demonstrating strong demand from international investors. This was followed by a repeat issuance that raised a further $250 million later in the year.

In April 2024, Qatar's Ministry of Finance introduced its Sovereign Green Financing Framework as part of its commitment to sustainable development and the Paris Agreement. This framework covers the issuance of green, social, and sustainability bonds, sukuk, and loans to finance projects that will contribute to environmental and social benefits, such as reducing greenhouse gas emissions, enhancing biodiversity, and promoting sustainable resource management.

A month later, Qatar issued its first sovereign green bond, the first of its kind in the GCC, raising $2.5 billion to fund environmental projects. The issuance was more than 5.6 times oversubscribed, highlighting strong investor demand. The Commercial Bank of Qatar also entered the market with its debut Swiss franc-denominated green bond, raising $225 million.

These developments set the foundation for further ESG debt issuances, as demand for such investments continues to grow, particularly for those issued from stable markets like Qatar. The high subscription rates indicate robust investor confidence and a promising future for sustainable finance in the region.

EXECUTIVE INSIGHTS

Mohamad Safri Shahul Hamid
Chief Executive Officer, International Islamic Liquidity Management Corporation (IILM)

How do you anticipate the landscape of Islamic liquidity management evolving in markets such as Qatar over the next five years? What key opportunities and challenges do you foresee?
Qatar's Islamic liquidity management sector is expected to evolve rapidly in the near-to-medium term, driven by targeted financial reforms by the State of Qatar and the Qatar Financial Centre's initiatives to attract global financial players. Demand for short-term, high-quality, liquid assets (HQLA) will continue to increase in line with the Basel III liquidity coverage requirements, and this will inevitably reinforce the importance of tailored instruments such as short-term sukuk.

Expanding sukuk markets, including short-term and long-term sukuk, will provide Islamic banks with more avenues to manage liquidity effectively and present an opportunity for Islamic banks and financial institutions to diversify their offerings in the treasury space to accommodate the growing interest in the IILM's products. This could be offered and complemented through alliances with strong regional and international entities that could provide local Islamic banks with access to, amongst others, established cross-border and even bespoke liquidity solutions.

A key challenge is a relatively limited secondary market for Islamic instruments, as reflected by the global sukuk market in 2023, where outstanding sukuk issuance was valued at $650 billion and secondary market trading of approximately $20-$30 billion, with a turnover ratio of less than 5%. The lack of development in the secondary market globally limits price discovery and liquidity. Strengthening secondary market frameworks, fostering active market-making, and deepening regulatory harmonisation will be essential to establishing a robust Islamic liquidity ecosystem in Qatar.

What specific initiatives is IILM planning to support liquidity management needs in markets like Qatar in coming years?
To support the liquidity needs of Islamic banks in Qatar, the IILM is scaling up its sukuk issuance programme, with the programme's size having increased from $4 billion to $6 billion in 2024, and on the back of that having successfully increased its outstanding assets from $3.5 billion to $4.14 billion by the end of 2023. This expansion in its programme size allows for larger issuance volumes and a wider range of maturities, giving local Islamic banks greater flexibility in managing their liquidity requirements effectively and proactively.

The IILM will continue to expand and grow its asset portfolio, and introduce a broader mix of asset classes, in line with its core mandate of providing and facilitating cross-border Islamic liquidity management solutions globally. The IILM believes that its ongoing efforts and commitment will enhance the overall quality and appeal of the IILM sukuk, for the benefit of Islamic banks and other financial institutions globally.

In addition, the IILM, in a successful collaboration with Qatar Central Bank (QCB), has over the last two years conducted capacity-building programmes tailored for Islamic banks and financial institutions in Qatar. This is aimed at providing an important platform for knowledge-sharing amongst industry professionals, regulators and experts, on bespoke topics such as the role of Islamic financial markets and instruments in the development of the debt capital market in Qatar. On the back of the growing interest by the Qatari market in the IILM's expertise in Islamic liquidity management, the IILM is fully committed and honoured to continue this collaboration with QCB. This is part of our effort to enhance the understanding of the role of Islamic financial markets and instruments and to share best practices that will help achieve Qatar's strategic initiatives to develop its Islamic capital markets as outlined in the Third Financial Sector Strategy and QCB's Strategy 2024-2030.

EMERGING TRENDS AND OPPORTUNITIES

TREASURY SUKUK EXTENDING DOMESTIC YIELD CURVE, ENCOURAGING CORPORATE ISSUANCE

In 2022, the QCB introduced enhancements to its treasury bills mechanism, including the issuance of treasury sukuk. Such short-term liquidity management tools, with tenors as short as one week, such treasury bills had previously been available to conventional banks only due to Shariah restrictions.

The sukuk now provide Islamic banks in Qatar a venue to invest their short-term liquidity, similar to other core Islamic finance markets, such as Malaysia, Bahrain, Indonesia and the UAE. Although Qatar sovereign sukuk have been available for Islamic banks to invest in, they had limited effectiveness as a liquidity-management tool due to their medium-to-long-term maturities.

The offering of treasury sukuk will also help to establish a domestic sovereign yield curve that could set the path for domestic corporates to issue Qatari riyal-denominated sukuk and diversify funding. Developing the domestic sukuk market will also ease capital raising for smaller business corporates, enabling them to raise smaller amounts with less complexity and disclosures at lower issuance costs.

UNDERWRITES AND ASSET MANAGERS CAPTURING REGIONAL ESG CAPITAL MARKETS GROWTH

Sustainable finance is rapidly gaining traction in GCC capital markets, driven by a growing recognition of the importance of ESG considerations, reflected in the increasing issuance of green and sustainability bonds and sukuk. Governments and financial institutions in the region are actively promoting sustainable finance through various initiatives, such as developing frameworks for green bonds and implementing sustainability reporting requirements.

In Qatar, there is a significant opportunity to develop specialised underwriting expertise to support the growing demand for green and sustainability sukuk. A notable example is Al Rayan Investments' role in underwriting Warba Bank's $500 million green Sukuk, which was significantly oversubscribed with investor orders reaching $1.8 billion.

By building a robust underwriting framework that focuses on sustainable finance, Qatar can attract new issuers looking to raise capital through ESG bonds and sukuk. This specialised expertise can also help in assessing and mitigating the unique risks associated with ESG investments, thereby enhancing investor confidence. Additionally, by positioning itself as a hub for sustainable finance, Qatar can attract foreign investors who are specifically seeking ESG-compliant investment opportunities, further integrating itself into the global sustainable finance ecosystem.

ESG Islamic funds have the potential to meet part of the huge global demand for ESG investments. However, this space is still predominantly led by Malaysia and has not yet gained significant traction in the GCC. This presents a valuable opportunity for Qatar to reignite the momentum of its Islamic fund market by developing and promoting ESG Islamic funds. By so doing, Qatar can leverage its existing Islamic finance infrastructure to attract investors who are keen on aligning their investments with their ethical and sustainability values.

STANDARD 62 UNCOVERING POTENTIAL TO HOST FOREIGN SUKUK ISSUANCE

The introduction of Shariah Standard 62 by AAOIFI has been the most anticipated sukuk market development since 2024. If passed in its draft form, the implementation of the standard is expected to disrupt global sukuk issuance.

One of the critical changes that would be introduced by Standard 62 would be the legal transfer of ownership of underlying assets from issuers to investors, raising concerns from both sides on the accounting treatment of this transfer and the potential impact on their balance sheets. Markets that have adopted AAOIFI standards on a mandatory basis, such as the UAE and Pakistan, may experience the most disruption as issuers and investors adapt to the new standards.

Nonetheless, AAOIFI standards are not compulsory in some jurisdictions, including Qatar. This presents an opportunity for Qatar to leverage its more flexible and conducive Shariah governance approach to position itself as a favoured destination for foreign sukuk issuance. Qatari underwriters such as Al Rayan Investment and Dukhan Bank have been active in arranging sukuk in the region, demonstrating the capabilities of domestic market players.

Still, other aspects of Qatar's sukuk market will require enhancements, most importantly improved market liquidity and access to an international investor base. The introduction of issuance frameworks and incentive programmes, especially for first-time foreign issuers, would also make it a more attractive market.

CAPITALISING ON DEMAND FOR SUKUK-FOCUSED FUNDS TO DEVELOP TWO MARKETS

The number of Islamic funds globally has been on the rise, nearly doubling since 2020. This growth reflects the increasing demand from both retail and institutional investors for Shariah-compliant investments. These funds are gaining popularity as they offer a diversified portfolio of sukuk, providing investors with a stable and predictable income stream while adhering to Islamic finance principles.

There is a significant opportunity to expand Qatar's capital markets by adopting a two-pronged approach of creating Qatari sukuk-focused funds. The demand generated by these funds would, in turn, encourage the issuance of sukuk in the domestic market. This strategy could be extended to include ESG Islamic funds, creating a niche for Qatar in the form of ESG sukuk funds. Such initiatives would help position the country as a regional hub for sustainable finance, attracting investors who prioritise ethical and sustainable investments.

> **Qatar's sukuk market will require enhancements, most importantly improved market liquidity and access to an international investor base.**

INTEGRATING BLOCKCHAIN INTO SUKUK ISSUANCE

While the use of blockchain and smart contracts in sukuk is still relatively new, several successful pilot projects and implementations have demonstrated its viability. The integration of blockchain and smart contracts in sukuk issuance holds significant potential for SMEs, by enhancing efficiency, transparency, and accessibility of the sukuk market.

The use of blockchain and smart contracts in the sukuk space has is being leveraged to develop innovative products including micro and digital sukuk. By reducing issuance costs and increasing transparency, these technologies can make sukuk a more affordable and attractive financing option for smaller businesses.

The automation provided by smart contracts also ensures that the processes are efficient and less prone to human error. While micro sukuk are particularly beneficial for smaller issuances, the technology can also be scaled for larger sukuk. The flexibility of blockchain and smart contracts allows for various structures, including those suitable for large-scale projects.

For example, Wethaq, a Dubai-based blockchain FinTech, has developed a platform designed to lower barriers to entry for sukuk issuers, benefiting SMEs seeking Shariah-compliant financing. The platform, which integrates SWIFT's payment and settlement functionality and utilises smart contracts, enables traditional investment methods in blockchain sukuks while ensuring compliance with Sharia principles. Attracting similar FinTechs to Qatar presents an opportunity to develop alternative financing options for SMEs.

DEVELOPING SHARIAH-COMPLIANT ETFS WITH SPECIFIC FOCUS

The popularity of ETFs across the GCC has been on the rise, with both retail and institutional investors becoming increasingly attracted to ETFs due to their cost efficiency, transparency, and ease of trading. Moreover, the inclusion of GCC countries in emerging market indices has increased international investor interest, leading to the launch of more ETFs focused on the region. This growing interest is reflected in the increasing number of ETFs domiciled in the GCC, although there is still significant room for growth compared to other global markets.

There is one Shariah-compliant ETF listed on the QSE, Al Rayan Qatar ETF (QATR) by Al Rayan Investment. Qatar has several opportunities to capitalise on the growing popularity of ETFs. One significant opportunity lies in expanding its range of Shariah-compliant ETFs, tapping the strong demand for Islamic finance products and attracting both local and regional investors.

Additionally, Qatar can leverage its robust financial infrastructure and the QSE to develop and list more sector-specific ETFs, such as those focused on energy, financial service, and construction and real estate. This would provide investors with targeted exposure to key sectors of the Qatari economy.

QIA FUND OF FUNDS BOOST FOR VC SECTOR

In 2024, the QIA launched its Fund of Funds programme aims to position Qatar as a regional VC hub by investing over $1 billion exclusively in international and regional VC funds. The programme will primarily invest indirectly via other VC funds, with the ability to make targeted co-investments alongside participating funds.

The Fund of Funds programme has a dual investment mandate: achieving good financial performance and delivering a positive development impact on the Qatari VC ecosystem. It was designed to attract international VC firms and entrepreneurs to Qatar, providing financial resources and establishing global best practices and networks thereby accelerating the development of the local VC ecosystem.

The programme has backed six VC firms out of 120 applications, which are establishing operations in Qatar. These firms include Qatar-headquartered Rasmal Ventures, and US-headquartered Builders VC, B Capital, Utopia Capital Management, Human Capital, and Cure by Deerfields.

Rasmal Ventures is Qatar's first independent VC firm, established in 2023. It will receive the Fund of Funds investment through its inaugural VC fund --Rasmal Innovation Fund I --which has also secured funding from corporates, family offices, and HNWIs, aiming to reach $100 million in investment commitments.

DEVELOPMENTS ACROSS SELECT DEFINED STRATEGIC PLAN OUTCOMES

The Capital Markets pillar of Qatar's Third Financial Sector Strategic Plan aims to develop a capital market that leads the region in innovation and efficiency and drives national development by improving liquidity and velocity levels.

The strategic plan also outlines the main outcomes for the development of the capital markets in Qatar. The following are recent developments and key initiatives that have contributed to these outcomes, particularly for Islamic capital markets.

Capital markets outcome 1:
Attractive and innovative capital market with extended range of products, services and participants

Qatar has been on track to transform its capital markets into a more attractive and innovative landscape, characterised by an extended range of products, services, and participants. This transformation has been driven by several key developments and regulatory enhancements.

The QFCRA has taken steps to facilitate the issuance of ESG sukuk, ensuring a robust framework aligned with international standards. Additionally, the issuance of treasury sukuk by the QCB has further diversified the investment pool available to Islamic banks and other Shariah-compliant investors, and expected to encourage domestic corporate sukuk issuance.

The introduction of Certified Professional Investor Funds has opened up sophisticated investment opportunities for HNWIs and institutional investors. Updated regulations for these funds have provided more innovative and flexible structures, enhancing the appeal of Qatar's capital markets.

Plans to launch a derivatives market, offering new financial instruments such as futures and options, aim to help investors hedge risks and attract more sophisticated market participants. This initiative is set to further expand the range of services available in Qatar's capital markets.

The QIA has also played a pivotal role in expanding VC investment opportunities through its Fund of Funds programme. It is strengthening the VC landscape in Qatar by attracting prominent global venture capital funds to establish operations in Qatar, which will attract private investment form professional investors in Qatar and the GCC.

Moreover, the QSE has developed a secondary market specifically for SMEs. This market provides SMEs with easier access to capital while adhering to less stringent listing requirements, broadening the participant base in Qatar's capital markets.

Capital markets outcome 2:
A sustainable and efficient capital market operating model that is responsive to market requirements

Regulatory enhancements

The QFMA has made significant progress towards achieving a sustainable and efficient capital market through various regulatory and structural reforms. By updating margin trading rules and introducing the Customer and Investor Protection Rules, the QFMA has ensured a more secure and transparent trading environment. The introduction of Covered Short Selling Rules and Securities Lending and Borrowing Rules will further enhance market liquidity and align Qatar's regulations with global standards.

The QSE has complemented these efforts by implementing new listing rules and corporate governance codes, which have improved market integrity and boosted investor confidence. The QSE's initiatives to promote better ESG disclosures and the launch of the Q-Disclosure platform have set new benchmarks for transparency and reliability in financial reporting.

Market infrastructure development

Establishing EDAA has significantly enhanced the trading infrastructure for domestic capital markets in Qatar. Upgrading clearing and settlement systems is a priority to ensure faster and more efficient processing of transactions.

Qatar is also working on initiatives to facilitate cross-border investments and integrate its capital markets with global financial systems. This includes partnerships with international financial centres and regulatory harmonisation to reduce fragmentation and enhance market resilience. For example, the QSE has collaborated with the London Stock Exchange to adopt a new trading platform that improves performance and efficiency. Efforts are also being made to deepen the capital market by introducing new financial instruments and encouraging more companies to list on the QSE.

REPORT TEAM

London Stock Exchange Group (LSEG)

Jinan Al Taitoon, CESGA
Senior Research Specialist
Project Lead

Mustafa Adil
Global Head of Islamic Finance

Qatar Financial Centre (QFC)
Financial Services Sector

Henk Hoogendoorn
Chief Financial Services Sector

Feras Al-Sarraj
Head - Asset Management

Yusufbek Nasriddinov
Associate - Islamic Finance & Capital Markets

DISCLAIMER

ATTRIBUTION

Please cite the work as follows: LSEG and QFC (2025) “Qatar Islamic Finance Report 2025: Expanding Horizons”, LSEG

TRANSLATION

If you create a translation of this work, please add the following disclaimer along with the attribution: This translation was not created by LSEG and should not be considered an official LSEG translation. LSEG shall not be liable for any content or error in this translation.

All queries on rights and licenses should be addressed to ifg@lseg.com

Qatar Islamic Finance Report 2025

Expanding Horizons

مركز قطر للمال
Qatar Financial Centre

LSEG DATA & ANALYTICS