

إشعار السوق (010) Market Notice

The establishment of exchange-traded funds listed on Qatar Stock Exchange

Date:	27/03/2014	التاريخ:
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Executive Summary

This Market Notice is issued in anticipation of the introduction of a new asset class on Qatar Stock Exchange, the “Exchange Traded Fund”, or “ETF”. The purpose of this notice is to provide some general information in respect of ETFs and trading of ETFs on Qatar Stock Exchange. More specific information in respect of individual ETFs that are listed on Qatar Stock Exchange will be issued at the time of such listings.

On 18th July, 2012 the Qatar Financial Market Authorities (“QFMA”) published their Investment Fund Listing Rules (“IFLR”) paving the way for investment fund issuers to develop products that are suitable for trading on the Exchange, commonly known as “Exchange Traded Funds”, or “ETFs”.

Establishing an ETF and getting it listed and traded on Qatar Stock Exchange under the IFLR the QFMA will accept applications for ETFs that are set up in the State of Qatar¹ but may also consider applications of ETFs established under foreign laws. The listing application process is designed to verify that the investment fund has been duly established in accordance with the relevant fund laws and regulations, that the prospectus meets the minimum requirements, and the fund is otherwise suitable to be listed and traded on Qatar Stock Exchange.

For more information, please follow this link:

http://www.qfma.org.qa/EnglishPdf/Funds_units_invst.pdf

Admission to trading of an ETF on Qatar Stock Exchange is governed by chapter 6 of the QE Rulebook. Following a successful application (which requires listing approval by the QFMA) the ETF Issuer will sign an admission agreement in which it commits to comply

¹ funds licensed by i) the QCB under Investment Fund Law (25) of 2002 and ii) QFCRA under the QFC Law no (7) of 2005/COLL 2010 are eligible.

with the QE Rules. Apart from more generic ongoing periodic and immediate disclosure obligations for ETF Issuers, there are more specific ETF related requirements under the QE Rules, which include, among other things, the mandatory appointment of at least one Liquidity Provider and the daily publication of the net asset value of the ETF (the so called “NAV”). ETF Issuer fees will be charged in accordance with the prevailing fee schedule of Qatar Stock Exchange under section 10 and 11.1.2 of the QE Rulebook. For more information in respect of admission to trading, please contact our Product and Market Development team on +974 44333616

ETF characteristics

ETFs are passively managed funds that aim to track the performance of a particular market, a market sector or certain particular assets. In essence, ETFs are designed to offer a cost effective solution to investors wishing to benefit from asset diversification without having to build their own individual portfolios. The most common way for an ETF to achieve its investment objective is to track a particular index.

ETFs are open ended, which means that the fund can issue new shares (called “ETF units”) on an ongoing basis (in most cases every day). Typically, such new ETF units can only be created between the fund and eligible investors (including the Liquidity Provider) whereby the eligible investor will receive the ETF units against payment of the equivalent value of those ETF units in the funds’ assets or in cash.

Income of ETFs may be reinvested in the fund or may be distributed to ETF unit holders as dividends, depending on the ETF’s structure and investment policies as set out in the prospectus.

ETF Trading on Qatar Stock Exchange

ETFs are traded on Qatar Stock Exchange in the same way as shares. The trading rules for securities set out in chapter 4 of the QE Rulebook will apply to ETFs mutatis mutandis. Member commissions will be subject to the prevailing limits as approved by QFMA (27.5 basis points).

ETF trading on Qatar Stock Exchange will be supported by at least one Liquidity Provider that will commit to provide two-way prices in the ETF. The obligation of the Liquidity Provider entails maintaining buy and sell orders in the order book in minimum sizes and with a maximum spread, subject to a minimum presence requirement determined as a percentage of the ETF’s trading hours. In order to be able to meet their obligations, Liquidity Providers will be authorized to take covered short positions,

provided that approved arrangements are in place to secure settlement of such positions on T+3.

Please note that the information provided in this notice does not constitute, and is not intended to constitute, any investment advice. Before investing in ETFs investors should read the ETF's prospectus and product description carefully, research the product and consult their investment advisor as necessary, to ensure that the risk and income characteristics are consistent with their investment goals, risk tolerance and portfolio.