



الهيئة العامة للإستثمار
Kuwait Investment Authority

CFA Institute Middle East Investment Conference
By

H.E. Anas K. Al Saleh

**Kuwait Minister of Finance and Chairman of the Kuwait
Investment Authority**

February 10th 2015 - *Kuwait City*

Good Morning Ladies and Gentlemen,

It is my pleasure to address you at the inaugural CFA Institute Middle East Investment Conference in Kuwait. It also gives me great pleasure to welcome so many other CFAs from other Middle East CFA societies.

One of the primary role of the CFA is to bring a code of ethics and professionalism into the investment sector. An investor will part with his, or her, money only when there is trust. Only when the investor believes that his hard earned money will grow and will not be lost. Only when the investor feels secure that the asset manager is ethical.

As a CFA, I know how hard you worked. I know the number of books and the many hours you spent studying for the difficult exams. There will be no question regarding your technical skills. However, your ethical behavior will always be scrutinized.

The financial landscape is littered with numerous examples of entities which did not survive, not because of unethical behavior but due to a weakness in human behavior: a blinding devotion to short term gains over long term sustainable profitability. The finance industry needs to arrive at a healthy balance between maximizing profits versus optimal good for all stakeholders. Unchecked greed is unhealthy and detrimental in the long run.

However, unethical behavior is another issue. It is a conscious act of fraud and criminal action by an individual. Such unethical behavior in finance by few individuals gives the entire industry an undeserved reputation. Unethical actions by these few paints the entire industry with the same brush. Of course, the classic tale of unethical behavior was by Charles Ponzi in 1920. He has the distinction of having an entire class of fraud being named after him: Ponzi Scheme. Some recent examples of unethical behaviors are Bernard Madoff (who offered a type of a Ponzi scheme) and Raj Rajaratnam of the Galleon Group.

Each CFA is obliged to comply with the CFA Institute's Code of Ethics and Standards of Professional Conduct. This code is to ensure that the highest standard of ethics, education and professional excellence will be applied for the ultimate benefit of our societies.

This issue of ethics in finance, even after the excessive greed which resulted in the Great Financial Crisis of 2008, is ever present and must be addressed. As part of the global concern regarding ethics in finance, this subject was given prominent attention during the October 2014 IMF/World Bank meetings. Especially during a panel

session with Madam Christine Lagarde, the head of the IMF; Mark Carney, Governor of the Bank of England; the Most Reverenced Dr. Justin Welby, the Archbishop of Canterbury; and representatives from a global asset manager and a SWF. The conclusion which this panel arrived at is one which is known to all of us: economic concerns cannot be separated from ethical behavior. The tendency of the financial sector to value short term gain over the long term societal good is unsustainable.

I am pleased that today's conference will also discuss the issue of professionalism and ethical behavior of participants in capital and financial markets. We count on professional organizations, such as the CFA Institution, to ensure that such damaging behaviors are never repeated again.

As always and since Kuwait was founded, the financial sector has a critical role to play in Kuwait's growth and future. There are numerous challenges facing us before we achieve this goal.

We are currently faced with strong global economic headwinds, which create their own set of issues:

- Dropping oil prices.
- Continuation of a low interest rate environment.
- Significant market volatility
- Lower potential global growth.
- Ever present threat of looming recessions in key regions of the world; which we previously took for granted to help drive global growth.
- Geopolitical tensions in various parts of the world including in our region.

Within Kuwait, we have our own set of unique challenges. Unless a comprehensive series of reforms, covering all aspects of regulatory and economic activities, are undertaken immediately, Kuwait will lag behind our peer group. In the World Economic Forum's World Competitive Report, Kuwait is 3rd globally based on our macro-economic strength. However, we are near the bottom in nearly all other categories. In the World Bank's Ease of Doing Business Report for 2015, Kuwait ranks 86 out of 189 countries. It is near the bottom of the list for improvements in regulatory practices.

Kuwait does not wish to repeat the mistake of other countries where we maintain an artificial sense of prosperity. When there was a crisis; salaries were cut; projects were stopped; essential capital expenditures were scaled back. We need to put into place a road map. A way forward for sustainable prosperity and growth. Fortunately, Kuwait also has numerous well known strengths. Over the last decade, Kuwait has consistently ranked in the global top quartile in terms of macro-economic strength. International organizations such as the International Monetary Fund (IMF) as well as the

Institute of International Finance (IIF) recognize the strength and safety of Kuwait's macroeconomic environment. Kuwait has one of the highest credit ratings in the region by all three credit agencies. Our fundamental economic position is one of the strongest in the world.

With these strengths, Kuwait is well placed to meet these headwinds, either global or regional. As our forefathers used the wind to their advantage of sailing their Dhows to trade with far off countries; we can use our comparative strengths to our benefit.

As a member of the Council of Ministers, Kuwait's Cabinet, I am pleased to report that the government has taken a series of essential actions. We have recognized our shortfalls and have prepared a series of actions to improve Kuwait's competitive position.

In the past few years, Kuwait has worked steadily towards creating new institutions as well as revamping several old ones to improve and attract investments. The establishment of an independent regulatory authority for our capital markets; the Capital Market Authority. Establishment of Small and Medium Enterprises (SME) fund aimed at encouraging the development and growth of small and medium enterprises. The establishment of Kuwait Direct Investment Promotion Authority (KDIPA) set up, as an enhanced successor of Kuwait Foreign Investment Bureau (KFIB), for promotion of direct investment in Kuwait. A new and comprehensive companies law that streamlines processes and accommodates the latest structures and innovations of a developed economy. Launching a new Public Private Partnership (PPP) law to promote PPP investments. Suspending the off-set requirements. These are only some of the many activities in the broader economic context. There are also initiatives aimed at improving governance, bankruptcy laws, and anti-corruption initiatives. Together, all of these are

expected to significantly ease the business and investment environment. These are preconditions which are necessary to ensure Kuwait's success in the coming decades. This is a challenge which we prepared to overcome.

As the Minister of Finance, I can assure you that the government has taken, and will continue to take all necessary measures to strengthen our economy. We will reclaim our position as the pearl of the Gulf.

The CFA charter is a globally recognized seal of approval for any investment professional. In this spirit, I am pleased that the Kuwait Investment Authority has been encouraging its fresh graduates to become CFAs. Some actions which the **KIA** has taken in this regard are:

- They are in the process of completely revamping their flagship Graduate Program by refocusing its syllabus to be similar to that required for the CFA Level I exams. The **KIA** recently announced these changes, which are on their website.
- The **KIA** amended its internal policy whereby obtaining a CFA would automatically lead to an immediate promotion.
- The **KIA** pays those staff with a CFA a higher salary than others with similar level of experience but without a CFA.

KIA's emphasis on obtaining a CFA as a qualification for its staff is their underlying desire to strengthen its capabilities in a vital sector.

Investment professional like you have a significant role to play in Kuwait's progress. You need to continuously introduce best practices and promote ethical investing behaviors.

Your contribution will greatly assist in modernizing Kuwait's capital markets and economy in order to enhance efficient capital allocation.

I wish each of the attendees at today's event a successful conference.

Thank you.