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Summary

Iraq is planning to upgrade regulations for the country's stock exchange to match those in GCC markets and attract more foreign investors.

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Iraqi stock exchange law before parliament

Hadeel Al Sayegh

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MANAMA // Iraq is planning to upgrade regulations for the country's stock exchange to match those in GCC markets and attract more foreign investors. The new regulations have been submitted to the Iraqi parliament as a draft law and are being studied by an advisory committee, but brokers say it is likely to be passed once the newly elected government is in place. "It will allow us to function as a normal market, as any other market in the GCC," said Shwan Taha, the head of the Iraqi company Rabee Securities.

Ayad Allawi and Nouri al Maliki have been locked in a struggle for control of the government for the past seven months. The draft law incorporates many of the regulations from the International Organisation of Securities Commissions, a group of securities regulators from 100 countries. If the laws are passed, Iraq's securities market could reach a market capitalisation of US\$50 billion (Dh183.64bn) within 10 years, up from \$3bn today, Mr Taha said.

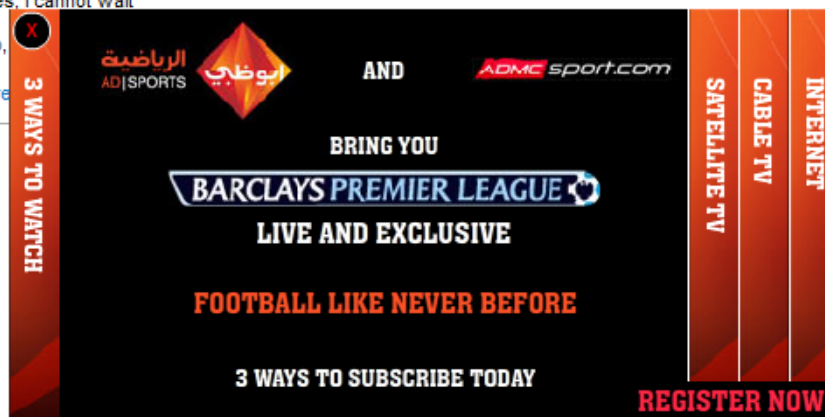
The Iraq Stock Exchange (ISX) has 91 listed companies, 45 licensed brokers and a daily turnover of \$2 million. Mr Taha said foreign investors were increasingly buying shares of ISX companies, but larger funds and institutional investors were mainly on the sidelines because of the limited regulation. Some, however, already see opportunity. "There is always risk," said Arild Johansen, the chief investment officer at FMG Investments, which specialises in emerging markets and recently launched the Special Opportunities Iraq Fund.

"But the model of the stock exchange is the same as that of the New York Stock Exchange, so we do not see Iraq as risky as people think. The main risk is that it will take a long time to develop liquidity." Mr Taha said there would not be many large public offerings until the laws were passed, even from the telecommunications operators that were among the largest and most profitable companies in the country.

On the ISX, banking stocks account for 73 per cent of the market capitalisation and 22 per cent of the number of listed companies. According to the draft law, the market regulator should be operationally independent and accountable in exercising its functions and powers. The draft is designed to ensure the independence of the regulator, the Iraq Securities Commission, by providing fixed-term appointments of five commissioners who may

not hold other governmental or conflicting industry positions.

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