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One small step for Rabee Securities

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On May 30 Rabee Securities' new office in Erbil successfully connected to the ISX network and began trading. This was an important step forward for the stock exchange. For the first time, a brokerage branch outside Baghdad is now online.

In a country like Iraq, the expansion of brokers' branch networks to other cities is an essential part of creating a truly national capital market. In theory, of course, this shouldn't really be necessary. After all, investors could easily set up accounts and place their orders via email.

But in practice, not many will feel confident sending money to someone they have never seen. In the absence of a convincing regulatory regime, there's really no way for brokers to build trust without a "brick and mortar" physical presence.

In an announcement dated May 31, ISX CEO Taha Al-Rubaie said he expected "many more" brokerage offices in other governorates to be connected to the network "in the near future." This could result in a big jump in ISX volumes. But even as the brokers are expanding, Erbil is setting up an exchange of its own and Basra is also talking about having one. Once/if these begin trading, they could potentially capture a lot of the business that would otherwise have gone through Baghdad.

Whether or not Rabee's small step in Erbil is a precursor to a giant leap for the ISX thus remains to be seen.

