

DIRECT ACCESS TO THE EXCHANGE TRADING FACILITIES

ONLINE BEATS OFFLINE

About Salim Sebbata

Salim Sebbata is General Manager DUTrade and Head of Retail at Mubasher Financial Services BSC. He has over 20 years of experience within the brokerage market. Prior to joining Mubasher Financial Services, Salim was MD of E*TRADE UK and Dubai and board member E*TRADE UK. His roles included managing the Middle Eastern business and strategy, negotiating strategic joint-ventures (Middle East and India) as well as developing and implementing the international sales strategy for Asia, Canada, EMEA and the UK. Salim holds a French Baccalaureate in Economic Sciences.



JENNY KASSIS MET WITH SALIM SEBBATA, GENERAL MANAGER, DUTRADE AND HEAD OF RETAIL AT MUBASHER FINANCIAL SERVICES BSC TO LEARN MORE ABOUT ONLINE TRADING AND INVESTMENT TRENDS ACROSS THE REGION.

Mubasher Financial Services (MFS), a leading regional broker for Middle East markets allows institutions to have access to its modern platform to trade either for their own account or for multiple customer accounts.

HOW DO YOU APPRAISE FINANCIAL MARKETS IN THE UAE?

Evidently, we have had a fantastic two-year run. Dubai has recovered from the financial crisis very well. Currently, the market valuations for Dubai and Abu Dhabi are a bit above the historical average. However, the growth rates of earnings for the companies are still strong making valuations justified and there is a possibility for upside.

WHAT ARE THE RECENT INVESTMENT TRENDS ACROSS THE MIDDLE EAST?

There are many resilient trends. Mainly, infrastructure is at the forefront. This is highlighted by Dubai winning the bid to host Expo 2020 and Qatar hosting the FIFA World Cup 2022. Moreover, KSA also announced new plans to enhance its infrastructure. We have already seen in those stock markets that the infrastructure is booming and those stocks are gaining momentum, be it real estate or tourism. The other element is the MSCI upgrade for the UAE and Qatar. This means that global portfolio managers will have to hold a certain allocation in UAE and Qatari stocks. It has been on the cards for years and it is great to see that both countries have done a lot of work in terms of implementing those requirements to be included in the MSCI.

The next point is the ability for the UAE to capture flows coming back to the region that have left the more developed markets. Whereas maybe 8 years ago, local investors were looking at international investments, now those investment plans have been scaled back and funds are coming back to the region. This is helping to prop up the local markets.

Last but not least, GDP growth has continued to be strong even during the financial crisis. It has been made possible by low interest rates and increased government support in the region.

HOW DOES MFS HELP INVESTORS MAXIMIZE THEIR OPPORTUNITIES IN NEW MARKETS?

According to us, when we say new markets, it means "where is the next big story?" This is what owners of MFS are focusing on. Thus, in every meeting they talk about the next ten active markets that we want to focus on and talk to our clients about. It is not enough to say that Saudi Arabia is a promising market and that some of the stocks there will give you something in return.

Therefore, we take a reasonably scientific approach to appraise different countries. We check if we can move money in and out of these countries easily in terms of regulations. We also assess the political situation and safety of every country as well as the GDP growth and where the stock markets are standing in terms of infrastructure and development. Moreover, we evaluate whether we can find ourselves in a similar environment as we did in the GCC in the 2000s when things were embryonic. Therefore, we enter the markets with our technology, we find local brokers, enable them to become online brokers and inform our clients about the way they can invest there by using our research and the brokers' research. Nevertheless, we allow citizens in these countries to trade internationally in the major markets and the GCC.

Furthermore, it was very interesting while travelling to countries in the Americas, Asia and Europe to see a high demand on getting access to the GCC from very large investment houses.

HOW SHOULD INVESTORS BALANCE THEIR INVESTMENT PORTFOLIOS?

There is always a trade-off and a balance between risk and return. The higher you go on the return curve, the higher the risk will be. Ultimately, it is an individual's decision

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to look at the different asset classes. The advice is usually to avoid putting all your eggs in one basket. We know the UAE has been heavily real estate centric, and we are working to change this situation; obviously, the market and the technology we provide our clients with are helping that. The rest is probably driven by the appetite for risk. Thus, the more you go out in terms of risk, the more returns you can potentially get. The beauty of this region is that we are a dollar based economy, thus we can easily invest in America for instance, as there are no currency fluctuations. However, these are things investors need to look at.

Rule of thumb is, if I was a private banker, I would have said "A hundred minus your age should be your stock allocation in percent," but then everybody has their own choices and needs to look at the historical volatility of the markets.

Even though we can see that stock markets have been doing well and will continue to do so, there are corrections that occur all the time.

ACCORDING TO YOU, WHAT IS THE IMPACT OF EXPO 2020 ON INVESTMENTS IN THE UAE?

Expo 2020 will certainly help the tourism and real estate sectors and every industry related to that as in banking, telecom, and other sectors. It is basically an infrastructure play out. Thus, raising the money for that will be done through the banking network and potentially asset sales. There is also talk about some IPOs happening on the stock exchange. Therefore one needs to build, and be ready to attract the tourists and cater to their needs.

Dubai needs to prepare early on, and continue advertising its tourism product in order to prevent a potential drop off in visitor numbers after the event.

PLEASE TELL US ABOUT YOUR ACTIVITIES IN TERMS OF ONLINE BROKERAGE AND TRADING?

In the early years of 2000, Dubai was starting as a stock exchange and the trading was offline. As the boom started in 2002, it was very difficult to get trading access to stock exchanges. Therefore, we decided to launch the first online broker in the UAE a few years later. We built trading access to the stock exchanges. The owners put up the capital and we created Mubasher Financial Services. The company used to be called Direct Broker for Financial Services. It took a great market share in the UAE market immediately and revolutionized the online brokerage space in the region. Afterwards, we figured that the model is applicable in other countries. Thus, we applied for a central bank license in Bahrain, we established an affiliate in Egypt and partnered with a brokerage firm in Libya to offer one of the first setups over there.

We currently have over 36 stock markets covered in the MENA region, Asia, Europe, UK, and USA. The distinctiveness of our model is that it allows any type of client to open an account and trade anywhere within these markets. MFS's sister company provides market data from the stock exchanges and research from its team members or executing brokers. Our sister company is the largest stock market data vendors in the region.

WHAT IS YOUR OPINION ABOUT ONLINE TRADING? HOW DOES IT HELP INVESTORS?

Mubasher trade has been a pioneer of online trading and we have the most technologically advanced products in the region by far. The method in which it helps works in two ways. There is no way to beat the speed of an online trade versus a trade made over the phone. Thus, this has to do with access to market information in real time. You are connected to the exchanges, and you can display stock prices on your iPhone, iPad, and desktop or wherever you want. If you think something is moving in the right or wrong direction, you can push a button and in one click you will be in or out of a position. This is indeed direct access to the exchange. It is fast, convenient, and accessible from any place around the world. It also allows you to do the research at night, see what is happening in the market and place your trade before the market opens. The ability to trade and monitor multiple markets at the same time is a very important feature in the online trading model. We have put easy-to-use applications but at the same time extremely detailed.

FROM YOUR EXPERIENCE, WHAT WILL BE THE CRITERIA FOR FUTURE SUCCESS FOR EMERGING MARKETS?

The emerging markets have been a "hot story" for few years now. They are driven by a low interest rates around the globe. Recently, we have seen a correction in terms of this performance and a refocussing of some of these countries' economies on their internal market away from the global market, for example China.

Moreover, the listings of private companies will boost the profile of emerging markets. There has to be a drive from the leaders to list some of these assets on the exchange. In the UAE, we have plenty of fantastic companies that are brand leaders in the region or some even around the globe. The fact that some of these are listed on the exchange is helpful, because it gives

the exchange a different profile. We think the same should be done in the emerging markets. The criteria for access from frontier to emerging markets are very clear, liquidity, governance and all those kind of things have to be in place. The rest is for us and our clients to understand the local development and what the government is doing in order to develop the local economy itself.

WOULD YOU LIKE TO SHARE ANY ADVICE WITH NEW INVESTORS LOOKING TO TRADE ONLINE?

I advise them to make sure they are working with the right partner. There are different online trading platforms. They have to make sure to do business with somebody that understands technology and has a track record of rolling that out.

They shouldn't shy away from online access. It is very important for them to understand what is going on with their portfolio. You are your own broker, this is the business model. Ultimately, it is your money and you are responsible for it, if not you have to choose some kind of a fund or an asset management solution. But the fact that you have a brokerage account means you want to be involved, and the best way to be involved is online.

We offer plenty of support for online traders, we are trying to simplify the account opening process as much as possible, and are working according to the local rules in the UAE and the region. However, you can see many developments making it even easier for clients to trade. Speed is of an issue in these markets. Thus, online beats offline.

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