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Early IPO preparation
Getting the house in order

Subsidiary governance
Building control and clarity

Agentic AI
The bank-in-a-box shift

Restructuring and insolvency
Rethinking failure

Middle East

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Point *of* View

Staying power

MAKING AN IMPACT THAT MATTERS since 1845

Summer 2025
Middle East Point of View
Published by Deloitte & Touche (M.E.)

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A word from the editorial team

This Summer issue of the Middle East Point of View explores what it truly means to build staying power in today's dynamic environment—through innovation, governance, and strategic foresight.

In a region defined by bold ambition and relentless evolution, the question facing businesses today is not what's next?... but what lasts? Across the Middle East, organizations are driving a wave of regulatory, technological, and strategic shifts that are reshaping what it means to be competitive, resilient—and built to endure.

In *Agentic AI: From enterprise autonomy to bank-in-a-box reality* by Ravi Ranjan, we look at how intelligent systems are not just enhancing business processes but reshaping entire operating models. Banks can now position themselves to harness the full potential of Agentic AI, driving innovation, efficiency, and long-term relevance.

But staying power isn't solely technological. In *Rethinking failure: Why restructuring and insolvency can drive innovation in the UAE*, Paul Leggett and Jennifer Frenis explore how strategically dealing with crises can lead to renewal—framing failure as a powerful catalyst in progressive economies that value reinvention over retreat.

Data is also emerging as a new pillar of enduring value. In *The hidden asset: Monetizing government data across the GCC*, Konstantinos Kritikos, Ahmed Ahmednafea, and Dalia Ahmad reveal how public sector innovation is beginning to unlock the untapped potential of government data across the region. Meanwhile, Carlos Obeid and Daniel Brierley's article *Transforming your business: Uncovering the missing pieces in KSA Personal Data Protection Law compliance* underscores the growing importance of privacy, data protection, and effective governance practices amid evolving regulatory demands.

Staying power also calls for solid internal strategy. In *Getting the house in order: The case for early IPO preparation*, Azhar Hussain, Saima Jalal, and Areej Shalabi advocate for early-stage readiness—legal, structural, and strategic—well before going to market. And in *Subsidiary governance: Building control and clarity across group structures*, Wael Kaafarani and Noor Younes highlight how clarity in governance is critical to scaling while maintaining control and coherence.

At the foundation lies financial transparency—an important element of business longevity. In *Understanding IFRS 18: Revolutionizing financial statement presentation*, Krishna Kumar and Noman Ijaz reflect on how the new standard demands a recalibration in performance reporting. And as the investment management sector matures across the region, Muhammad Faiq Khalid, in *Structured valuation policies: Essential for the growing Middle East investment management industry*, makes a compelling case for rigorous valuation frameworks as a basis for attracting and sustaining long-term capital.

Finally, transformation isn't just about systems—it's about informed decisions and strategic execution. In *Lessons from the frontline: Delivering superior value in technology M&A*, Zaid Selman explores how rigorous due diligence and smart integration planning in tech M&A are essential to unlocking value and protecting business durability in the Gulf's fast-moving digital economy.
Together, these insights illustrate a region not merely responding to change—but designing it with intent. Staying power is more than survival—it's about building institutions, systems, and strategies that are equipped to thrive through disruption and endure with purpose.

We hope you enjoy reading this Summer issue of the Middle East Point of View.

The ME PoV Editorial Team

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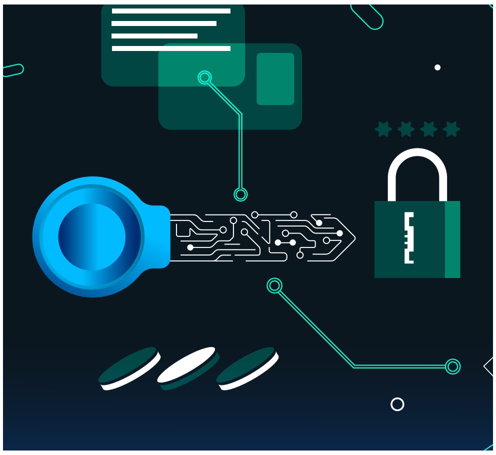

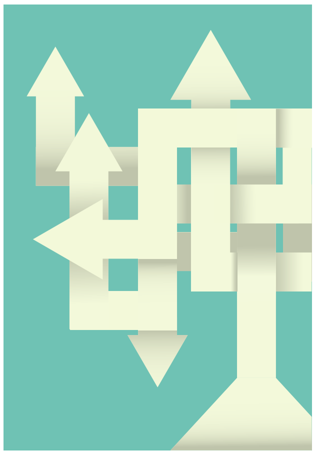

Structured valuation policies: Essential for the growing Middle East investment management industry

All valuation specialists agree on one point: valuation is both an art and a science, highlighting the inherent subjectivity of the process. While differences of opinion are generally minor, the dispersion between appraisers' views can vary significantly when appraising businesses in high-growth, emerging sectors.

A valuation policy framework helps reduce discrepancies by providing a consistent approach to the valuation process. A valuation policy is a structured framework covering various aspects of the valuation process in an organization: what to value, how to value, when to value, who should value (internal versus external independent appraisers), frequency of valuation, approval, and sign-offs on valuation. This bespoke document considers the practical and operational limitations of the organization and is driven by the purpose for which valuations are conducted.

The policy defines the roles and responsibilities of various teams within the organization concerning the valuation process (for example, financial reporting versus investment team), while avoiding conflicts of interest in the way valuations are reported for performance measurement. It provides guidelines for the timing and frequency of valuations for different investment types based on their complexity, availability of input financial and operational data from underlying investee companies, and a mechanism for resolving differences in valuation opinions.

Since valuations are inherently point-in-time estimates, a common question that an entity's valuation policy aims to address is: when does a valuation become stale? This refers to the time period after which a fresh valuation exercise becomes necessary, and whether the guidance should vary based on the nature of the investment, the organization's investment style, or other relevant factors.

By designing a governance framework around the valuation process, an organization ensures alignment between all stakeholders, providing a clear and consistent approach to measuring value. A well-defined valuation policy helps maintain transparency and consistency for effective investment decision-making and accurate financial reporting. This alignment is also essential for building trust and ensuring that all parties have a common understanding of the valuation process and outcomes.

A valuation policy is essential for any fund, business, or organization that needs to monitor valuations over time for decision-making or financial reporting. This includes asset management firms, investment funds, businesses with multiple shareholders, and large family offices dealing with inheritance and succession planning. In these contexts, accurate and consistent valuations are crucial for assessing assets under management (AUM), appraising investment performance, determining investment managers' remuneration, and facilitating the entry and exit of partners or shareholders.

Over the past few years, Middle East-based sovereign wealth funds have taken center stage on the global investment arena, growing significantly both in terms of the sovereign wealth entrusted to them to generate financial returns (exceeding US$5 trillion in AUM) and the level of their investment activity.[1] Similarly, Middle East-based family offices continue to gain prominence as their AUM soar and the Middle East increasingly becomes a global wealth hub.[2] With the growth of these investment powerhouses, the demand for bespoke, robust valuation policies to provide governance around valuation procedures has grown.

A valuation policy is essential for any fund, business, or organization that needs to monitor valuations over time for decision-making or financial reporting. This includes asset management firms, investment funds, businesses with multiple shareholders, and large family offices dealing with inheritance and succession planning.

By establishing clear guidelines, the policy helps maintain the integrity and reliability of the valuation process, reducing the risk of disputes and ensuring that valuations are conducted systematically and in a controlled manner. Without a clearly articulated valuation policy, valuations can become inconsistent, overly subjective, and prone to manipulation, leading to inaccurate financial reporting, poor decision-making, and potential conflicts among stakeholders. A valuation policy mitigates these risks by providing a clear framework that ensures valuations are conducted consistently, transparently, and reliably.

A good valuation policy should be purpose-led and provide operational guardrails for the valuation process. It does not need to be overly prescriptive in how to perform valuations, for which reference can be made to International Valuation Standards (IVS)[3] or International Private Equity Valuation (IPEV) guidelines.[4] Instead, the policy should provide practical application guidelines that ensure consistency and reliability.

In conclusion, a valuation policy is a critical tool for ensuring alignment, governance, and consistency in the valuation process. It is essential for any entity that needs to monitor valuations over time for decision-making or financial reporting. With the growth of the Middle East investment management industry, there is an increasing awareness of the need for bespoke valuation policies among sovereign and family-owned funds, and an appreciation for the benefits these policies bring to the discipline of financial reporting, AUM assessment, performance management, and investment decision-making. As valuation continues to be both an art and a science, having a structured policy becomes increasingly relevant to ensure accurate and reliable valuations.

By providing clear guidelines and governance, a valuation policy helps mitigate risks, build trust among stakeholders, and ultimately contributes to better decision-making and financial reporting.

By **Muhammad Faiq Khalid**, Partner, Valuations & Modeling, Deloitte Middle East

Without a clearly articulated valuation policy, valuations can become inconsistent, overly subjective, and prone to manipulation, leading to inaccurate financial reporting, poor decision-making, and potential conflicts among stakeholders

Endnotes

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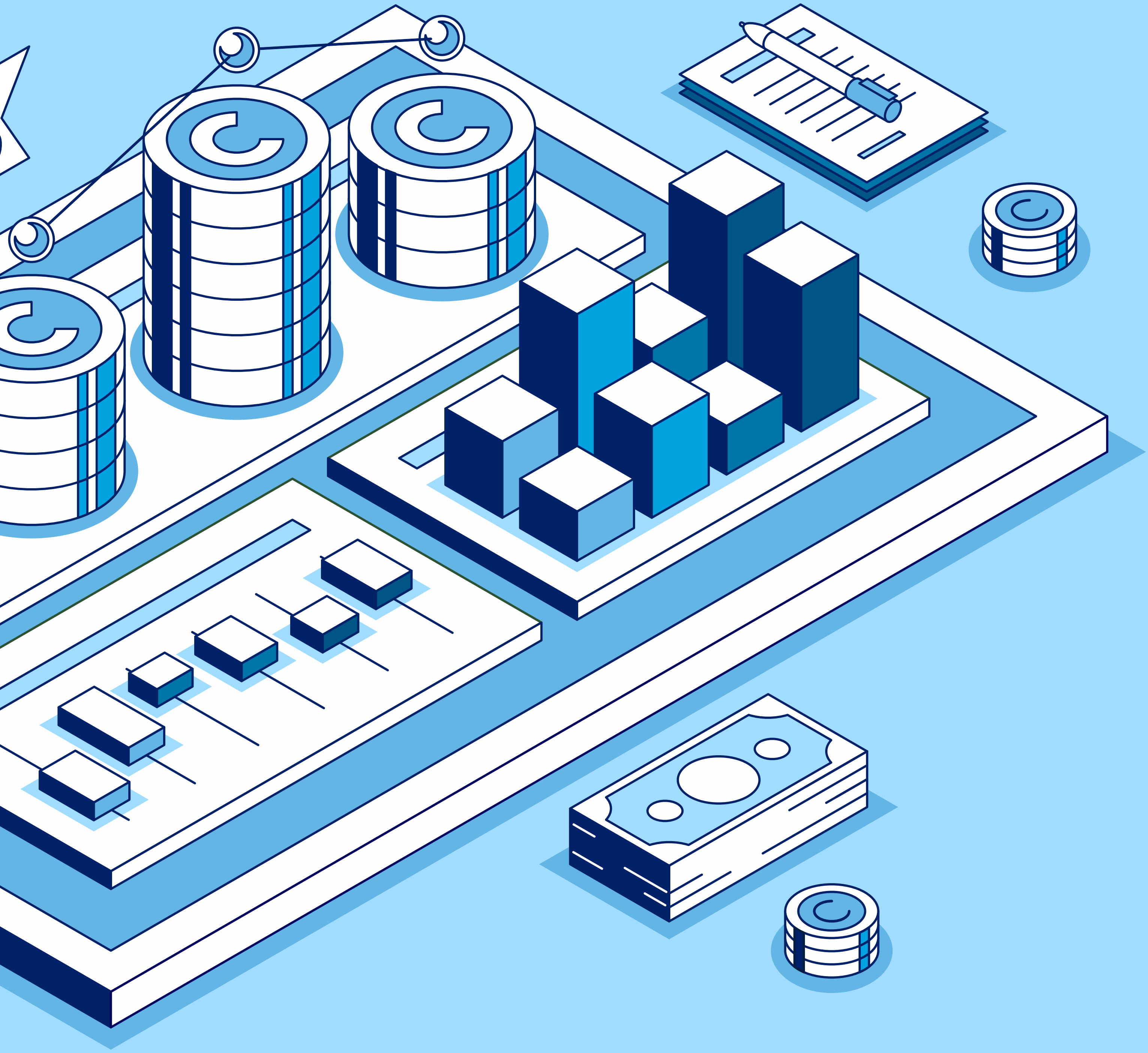
Getting the house in order: The case for early IPO preparation



Listing, or going public through an initial public offering (IPO), is a significant undertaking. In the Middle East—particularly in the GCC region—there has been record interest from across industries in entering the public markets, all with one common aim: to IPO as soon as possible.

Yet, the route to IPO is not easy or a "quick win." It is a journey that can challenge the very fundamentals of an organization–requiring a cold, hard look at its financial, operational, and commercial set-up. Preparing to go public means opening up the organization to immense scrutiny and the unpredictability of public perception. Furthermore, the resources, focus, and support needed to get to the end game, and ring the bell at the stock exchange, can be significant.

Benefits of an IPO

- **Raising capital:** A company can generate funds to finance growth initiatives, such as expanding operations, investing in research and development, or paying off existing debts.

- **Increased transparency:** Going public requires increased regulatory adherence, including regular financial disclosures and audits. This increased transparency can improve a company's credibility and reputation, building trust among investors, customers, and partners. Enhanced transparency can also lead to improved corporate governance and operational efficiency.

- **Access to markets:** Public offerings can facilitate easier access to capital markets, increasing a company's visibility and brand recognition.

There are additional benefits to be considered from the IPO preparation process that are not dependent on achieving the end result of an actual listing. Many organizations use the reorganization and transformation required on the road to an IPO as an opportunity to refresh their strategy and purpose, unlock value, and pursue optimizations in their business model.

The journey to an IPO can be cathartic—a catalyst for addressing all the "skeletons in the closet" and gaining clarity on what truly matters in the business and what doesn't.

> For many founders, going public is crucial to their overall business strategy. However, getting to the point of ringing the bell of the NYSE or Nasdaq is no easy feat.[1]
>
> - Seth Farbman, Entrepreneur with three successful exits, and former Forbes Council Member

IPOs are trending in the GCC

In 2024, the GCC experienced a robust year for IPO listings, raising approximately US$13 billion, which accounted for 10.5% of the total global IPO fundraising, as reported by S&P Global Market Intelligence. This marks an increase from US$11 billion (9.1%) in 2023, but a decrease from US$23.5 billion (13%) in 2022.

In 2025, this IPO momentum is expected to continue with no signs of slowing down. According to S&P Capital IQ's database, around 23 companies were listed in the GCC in the first half of 2025, mostly based in Saudi Arabia, with an estimated market capitalization of US$17.45 billion (based on data extracted in June 2025).[2]

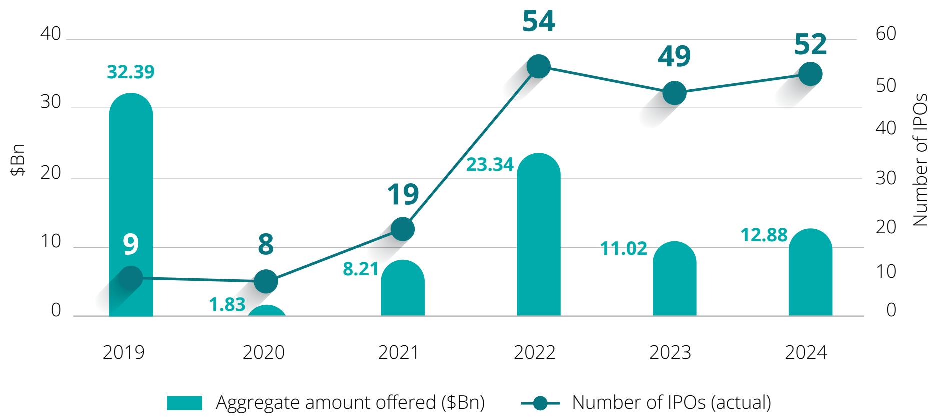


Figure 1: IPO activity in the GCC region

Note: Analysis includes IPOs completed where the target is headquartered in either Bahrain, Kuwait, Oman, Qatar, Saudi Arabia or United Arab Emirates. Excludes private placements. Aggregate amount offered includes overallotments.
Source: S&P Global Market Intelligence

Sector	Company (Ticker)	Exchange	Closed date	Gross amount offered ($M)
Consumer	Talabat Holding PLC (TALABAT)	Dubai Financial Market	11/29/24	2,028.8
Energy & utilities	OQ Exploration and Production SAOG (OQEP)	Muscat Securities Market	10/17/24	1,986.0
Consumer	Lulu Retail Holdings PLC (LULU)	Abu Dhabi Securities Exchange	11/06/24	1,721.0
Energy & utilities	NMDC Energy – P.J.S.C. (NMDCENR)	Abu Dhabi Securities Exchange	09/05/24	876.6
Healthcare	Dr. Soliman Abdel Kader Fakeeh Hospital Co. (4017)	Saudi Stock Exchange (Tadawul)	05/27/24	763.5
Consumer	Alef Education Holding PLC (ALEFEDT)	Abu Dhabi Securities Exchange	06/06/24	514.6
Materials	OQ Base Industries (SFZ) SAOG	Muscat Securities Market	12/04/24	488.7
Healthcare	Almoosa Health Co.	Saudi Stock Exchange (Tadawul)	12/29/24	449.5
Industrials	Parkin Company P.J.S.C. (PARKIN)	Dubai Financial Market	03/14/24	428.7
Consumer	Spinneys 1961 Holding PLC (SPINNEYS)	Dubai Financial Market	05/01/24	374.9

Sector Consumer Energy & utilities Healthcare Industrials Materials

Figure 2: Largest IPOs in GCC region in 2024

Source: S&P Global Market Intelligence

> The six-country bloc's significance to global IPO investors will continue in 2025 as regional governments pursue part-privatization programs to bolster state revenues, diversify regional stock markets, and potentially increase their representation in emerging or frontier market equity indexes.[3]
>
> - Matt Smith and Annie Sabater, for S&P Global in January 2025

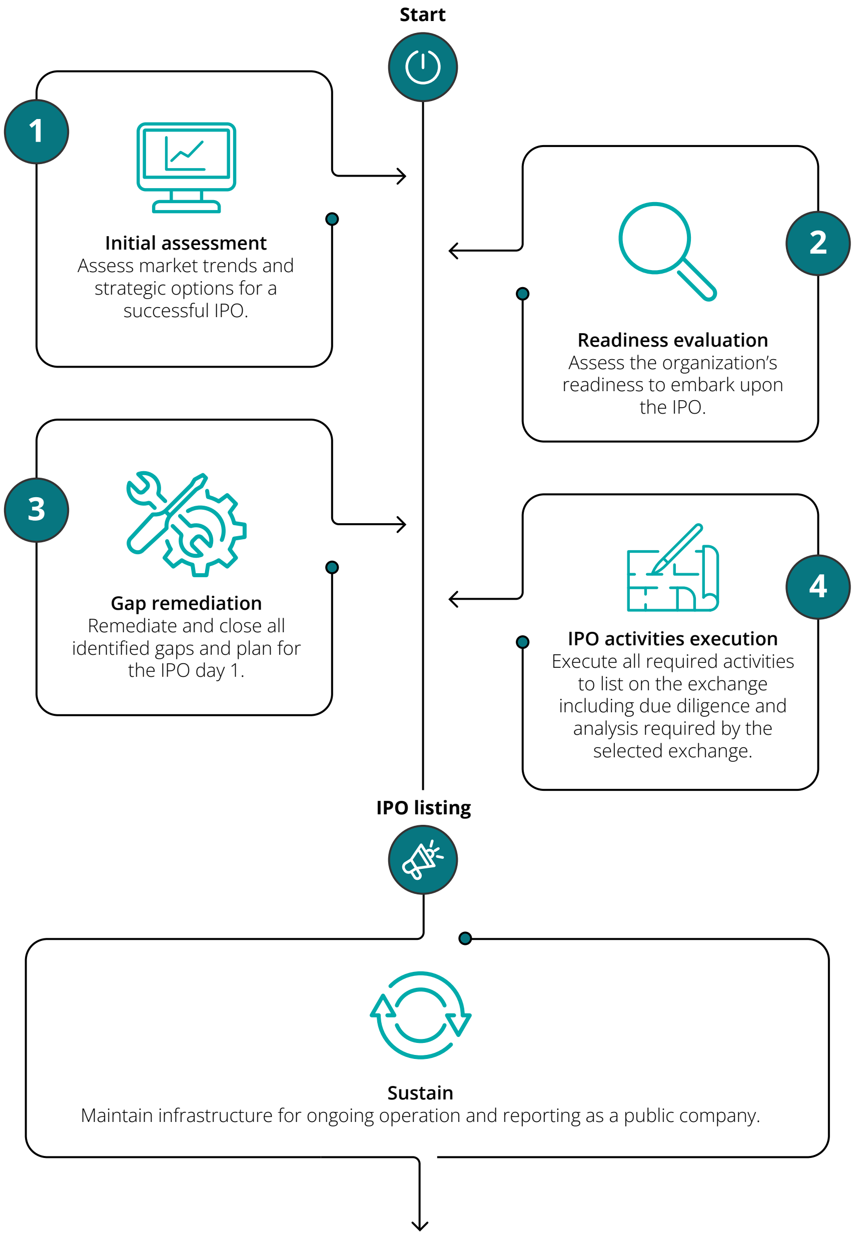
IPO: Focus on the journey, not just the destination

More businesses are approaching the IPO journey with a clearer understanding of the importance of early planning and the need for a "structured readiness assessment" at the outset. This is a significant development—one that reflects the growing maturity in how companies view the listing process.

A notable increase in requests for IPO readiness assessments is being seen at the very beginning of the journey, often well before any formal decision to list has been made.

This early engagement allows for a more holistic approach with clients. Furthermore, by comparing companies against listing requirements and best practices, it becomes possible to identify and differentiate between the types of gaps that exist, and the timeframes required to address them. This leads to better alignment between shareholder expectations and market realities.

More businesses are approaching the IPO journey with a clearer understanding of the importance of early planning and the need for a "structured readiness assessment" at the outset



Principal categories of identified gaps include:

- **Strategic focus:** These gaps relate to the attractiveness of the asset or strategic and financial hurdles that materially affect investor appetite. These can be complex and may require longer time frames to resolve, including potential disposal of non-performing divisions or review of a company's long-term business plan.

- **Finance operations and organizational structure:** These gaps relate to the company's ability to report financial results accurately and on time. The market also places value on an experienced management team with a track record of managing listing companies. Elements of this can have a significant lead time; for example, investing in enterprise resource planning (ERP) systems or trying to attract the right talent into an organization.

- **Governance and controls:** There are stringent listing requirements pertaining to the corporate governance of an organization. These are usually within the company's control and can often be resolved within a 12 to 18-month window with dedicated support.

Helping shareholders understand these gaps and associated consequences early on creates more grounded expectations about what is realistically achievable, and over what time frame. In doing so, companies can make more informed decisions, allocate resources more effectively, and approach the capital markets in a way that is both credible and sustainable.

> IPO readiness assessments are increasingly popular and are happening sooner, helping distinguish between issues that can be resolved internally and quickly, and deeper strategic and financial challenges that take longer to resolve. That clarity is key to setting realistic expectations from the outset.
>
> – Azhar Hussain, Partner at Deloitte

By **Azhar Hussain**, Partner, **Saima Jalal**, Partner, and **Areej Shalabi**, Director, Strategy & Transactions Advisory, Deloitte Middle East

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The hidden asset: Monetizing government data across the GCC

Across the GCC, government entities are generating unprecedented volumes of data—spanning citizen demographics, urban planning and infrastructure, transport and mobility, health and public safety, the economy, tourism, and more. Notably, these entities have also made significant investments in building unified data platforms aimed to breaking down data silos, strengthening data management and governance practices, and enabling scalable analytics and AI-driven decision-making.

Although GCC governments possess both the data and the infrastructure, most of that data's value remains internally focused, used primarily for reporting, performance monitoring, and operational decision making. While these internal applications are important, they represent just one layer of the data's potential. With significant investments already made in unified data platforms and AI-enabling infrastructure, there is growing pressure to convert these investments into tangible monetary returns. This is where data monetization comes in, offering a way not only to recoup these big infrastructure investments but also to create new value streams, stimulate innovation, and contribute to broader economic goals.

What is data monetization?

Data monetization refers to the practice of generating value—financial, economic, or strategic—by offering data-based products, services, or capabilities to external stakeholders. For GCC governments, this means transitioning from using data purely for internal decision-making to recognizing data as a strategic asset. Monetizable data assets can manifest in various forms, including raw or processed anonymized datasets sold or licensed for external use, data-as-a-service application programming interfaces (APIs) providing real-time or batch access on subscription, insights-as-a-service analytics sold as reports or predictive models, and sharing data via exclusive partnerships under revenue-sharing agreements. Done right, monetizable data assets can deliver return on data infrastructure investments, unlock new revenue streams, enable economic diversification, and strengthen government and private sector collaboration to promote innovation.

So, how can GCC government entities kickstart their data monetization journey? The six enablers of data monetization:

To move from intent to impact, GCC governments must establish a clear plan for data monetization, which means building the right strategic, operational, and governance foundations from the outset. The following six enablers offer a practical blueprint for designing and operationalizing a data monetization program for GCC government entities:

1 Data monetization policy

A data monetization policy provides the critical foundation for leveraging data responsibly, securely, and in alignment with an organization's strategic objectives. It typically outlines the guidelines around a dataset's eligibility for monetization, establishes clear governance and accountability structures, and defines principles for data valuation, pricing, access, and licensing. Critically, the policy must also embed safeguards around privacy, cybersecurity, and ethical use, clarifying how sensitive information should be handled, while ensuring alignment with national data protection laws and ethical standards to maintain public trust.

2 Commercialization strategy

While the policy lays the rules, the commercialization strategy defines the execution plan—how governments will deliver value from data assets. This strategy encompasses several critical steps, starting off with identifying and qualifying high-potential data assets for monetization and conceptualizing and designing innovative data products. Central to this step is the assurance that sensitive datasets—especially those containing personally identifiable information (PII)—are not eligible for monetization unless they are fully anonymized and comply with data protection laws and standards. The strategy also involves steps for the segmenting of the market and stakeholders to pinpoint target user groups and potential collaborators, defining robust monetization models, establishing compelling pricing and value propositions for the identified use cases, determining the most effective delivery channels for these data products, and crafting a comprehensive sales and go-to-market (GTM) plan for successful product launch and adoption.

3 Operating model

To operationalize the commercialization strategy in alignment with the data monetization policy, an operating model is crucial for managing the data monetization program. This entails establishing governance structures to oversee the program and delineate decision and approval rights, identifying the necessary roles along with their responsibilities and skills—from head of monetization to data product managers, data engineers, and data scientists—and outlining the processes for the data monetization lifecycle required to operationalize and sustain monetization activities.

Monetization-ready data architecture

4

After establishing the policy, commercialization strategy, and operating model, the focus should shift to developing the technical capabilities necessary to initiate the data monetization program. Government entities with existing unified data platforms should concentrate on activating tools and capabilities essential for data monetization—such as data cataloging and metadata management for enhanced data discovery and understanding; data quality to guarantee data accuracy and reliability; data anonymization, encryption, and access control to safeguard sensitive information; data consumption to facilitate monitoring and analytics related to usage, performance, and value realization; and APIs and microservices to enable data sharing. Conversely, entities still in the process of constructing foundational platforms have the chance to design with monetization in mind from the get-go. These capabilities are crucial for establishing a foundation that supports the creation of high-quality, usable, and trustworthy data products.

Product development

5

With the policy, strategy, operating model, and architecture established, the next step is to develop data products, translating the product designs conceived in the commercialization strategy into real, high-quality, usable, and trusted data products. Leveraging the underlying architecture, this phase focuses on the entire development lifecycle, from preparing and transforming data to packaging it into formats such as APIs, reports, or downloadable datasets. Privacy is a core design consideration in this phase, not an afterthought. Products must undergo thorough compliance checks to ensure alignment with data protection laws and standards. This includes validating the lawful basis for data use, verifying consent where applicable, and applying techniques such as anonymization or masking to protect PII.

Each product is developed with built-in data quality controls, standardized metadata, and stringent privacy protections, all supported by the platform's capabilities. This ensures that products are usable, secure, and ready for scalable delivery to external users.

Product consumption and metering

6

Finally, once data products are developed, government entities must ensure they are easily discoverable and consumable by target users through intuitive, user-centric experience platforms, such as open data portals or commercial data marketplaces. These platforms should support product discovery, detailed metadata exploration, and persona-based personalization features like tailored recommendations, product comparisons, and user ratings to enhance engagement and usability. Additionally, these user platforms should clearly disclose data usage terms and privacy policies to customers purchasing the data products, ensuring legal and responsible use.

Behind the scenes, metering and usage analytics track how data products are accessed, by whom, and for what purpose. These backend insights evaluate product performance, support access control, enable pricing or chargeback models, and guide future enhancement decisions—ensuring that monetization efforts remain adaptive and value-driven.

For GCC governments, data monetization has transitioned from concept to strategic necessity. It is the definitive path to extracting tangible value from expansive data ecosystems, ensuring a significant return on investments in data infrastructure and technologies. By systematically leveraging the six key enablers of data monetization, governments can ignite economic diversification, cultivate new business creation, elevate public service delivery, and forge a dynamic, innovation-driven ecosystem across the government landscape.

By **Konstantinos Kritikos**, Partner, AI & Data, **Ahmed Ahmednafea**, Director, Deloitte Digital, and **Dalia Ahmad**, Consultant, AI & Data, Deloitte Middle East

With the policy, strategy, operating model, and architecture established, the next step is to develop data products, translating the product designs conceived in the commercialization strategy into real, high-quality, usable, and trusted data products

Transforming your business: Uncovering the missing pieces in KSA Personal Data Protection Law compliance

The missing piece

Months after the compliance deadline for the Personal Data Protection Law (PDPL) set by the Saudi Data & AI Authority (SDAIA), its impact is becoming increasingly evident. Organizations based in the Kingdom of Saudi Arabia are striving to meet the law's requirements and, as a result, are investing in multiple privacy compliance-oriented projects.

Some organizations are placing a strong focus on establishing robust governance frameworks, prioritizing the development and formalization of privacy policies, procedures, and operational guidelines. This includes drafting and publishing privacy notices, deploying consent forms, and setting clear protocols for managing Data Subject Rights (DSR) and personal data breaches.

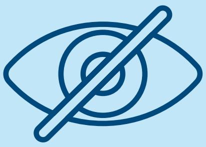
In fact, some organizations are taking compliance to the next level by automating consent tracking, rights request management, and privacy notices. These efforts help increase maturity levels and offer a growing sense of confidence that compliance is well in hand.

While the measures implemented through various privacy projects are essential and highly visible to both regulators and Data Subjects, a critical blind spot still remains.

The missing piece lies within the name itself: the Personal Data Protection Law—a framework that embodies the true essence of safeguarding and protecting personal data.

Article 19 of the PDPL clearly outlines the obligation to apply the necessary organizational and technical measures to protect personal data from loss, damage, unauthorized access, or disclosure. This aspect of compliance is less flashy, more technical, and often more complex to implement—yet it is fundamental to ensuring effective personal data protection.

Addressing some missing pieces



1. Lack of privacy access rights reviews

Many organizations conduct periodic access rights reviews from a cybersecurity perspective, covering the fundamental principles of confidentiality, integrity, and availability (CIA). However, these reviews often overlook who has access to personal data. Understanding the distinction between a regular access rights review and a privacy-specific access rights review is crucial for effective privacy governance and compliance under regulations such as the PDPL.

The following highlights the key differences:

Regular access rights review

- Regularly conducted by the Information Technology (IT) department, Information Security department, or department managers
- Focuses on all types of data and doesn't always distinguish between the various types (e.g., financial, personal, or business-related)
- Often aligns with internal policies or IT governance
- Access is granted based on user group or role

Privacy access rights review

- Regularly conducted by the Data Protection Officer (DPO) and assisted by the business owner
- Focuses on users and roles with access to personal data
- Often aligns with privacy policy
- Access is granted based on the lawful basis of processing, purpose limitation, or need-to-know basis

2. Missing personal data classification

Most organizations adopt the data classification standard published by National Data Management Office (NDMO) and implement it across all their data. However, personal data is often treated as regular data, resulting in a failure to correctly classify it within systems and applications. Without a proper classification framework that takes personal data into consideration, it becomes challenging to apply proportional protection measures through Data Leakage Prevention (DLP), Mobile Device Management (MDM), and other technical solutions in a proportionate and effective manner.

DLP systems can identify the types of data being processed—such as names, ID numbers, and email addresses. However, they often lack context regarding how or why the data was collected, especially in cases where it originated from public sources or was collected with user consent.

To overcome this, organizations should enable DLP systems to apply appropriate rules based on contextual factors such as data source and consent. In addition to that, Data Classification tools should be configured to classify data during ingestion or creation, using labels that reflect how the personal data was collected. Examples include:

- Personal Data – Consent
- Personal Data – Public Source
- Sensitive Personal Data – Contractual

These tags would be stored with the data and remain consistent across systems (structured or unstructured).

3. Inadequate Generative Artificial Intelligence (GenAI) and robotics controls

Most organizations are rapidly adopting GenAI tools like ChatGPT and Microsoft Copilot to enhance productivity and automate tasks. In doing so, employees often upload sensitive information such as personal data, HR records, or internal documents leading to unauthorized data sharing, data breaches, and regulatory non-compliance. To address this issue, organizations should implement distinct sets of technical requirements, procedures, and processes, such as:

- **Internal GenAI policy and usage guidelines:** Train employees to avoid uploading identifiable personal data unless the tool has been approved for such use.
- **Consent management for AI interactions:** Ensure explicit, informed consent is obtained when AI tools interact with Data Subjects (e.g., during Data Subject Rights requests or when handling Data Subject queries).
- **Privacy by design:** Ensure these systems are designed with privacy by default. This includes data retention limits, masking, and user-level access control.
- **DLP integration with Next-Gen Firewalls (NGFWs):**
  - Inspect outbound traffic (HTTPS/SSL) to identify sensitive data (e.g., personal data, protected health information (PHI), and payment card data (PCI) in real-time).
  - Block or alert when specific patterns (e.g., national ID, email addresses, payroll data) are being sent to specific cloud domains or APIs (e.g., chat.openai.com, api.openai.com, or copilot.microsoft.com).
  - Enforce policy-based restrictions (e.g., allow only anonymized data or prevent upload of any HR or financial records).

4. Inadequate technical safeguards

Organizations typically implement technical controls based on National Cybersecurity Authority - Data Cybersecurity Controls (NCA-DCC), National Cybersecurity Authority - Essential Cybersecurity Controls (NCA-ECC), and international cybersecurity standards and best practices. However, personal data is frequently treated as regular data, with standard security controls applied uniformly across all data types.

Below are common areas that are often overlooked when implementing appropriate personal data technical safeguards:

- Encryption of personal data (at rest and in transit)
- Monitoring and auditing of access and usage of personal data
- Running vulnerability assessments for systems that store and process personal data
- Updating incident response processes specific to personal data breaches

Most organizations adopt the data classification standard published by National Data Management Office (NDMO) and implement it across all their data. However, personal data is often treated as regular data, resulting in a failure to correctly classify it within systems and applications.

Outside the box

Choosing the right privacy and protection practitioner

Selecting the right privacy and protection practitioner is crucial. Many practitioners treat the data privacy function in silo, failing to oversee and incorporate it effectively within the existing functions of an organization. A key principle that privacy practitioners, especially those advising organizations in the Kingdom of Saudi Arabia, should consider is the importance of thinking outside the box.

For example, there is the right to request destruction of personal data. The PDPL gives individuals the right to request destruction, hence the erasure of their personal data. This applies to all copies of their data, including those stored in backups. However, SDAIA recognizes that it is technically impractical to immediately delete specific data from permanent backups (e.g., full-image backups or tapes). Nevertheless, if or when a backup is restored, any previously deleted personal data must also be re-deleted as part of the restoration process.

In addition, organizations should:

- **Document the limitation:** Policies and privacy notices should clearly state that while Right to Request Destruction requests are executed promptly in live systems, deleted data may remain in backups until those backups expire or are overwritten.
- **Ensure no restoration without controls:** Procedures should be in place to ensure that, following the restoration of a backup, all deletion requests processed since the backup was made.

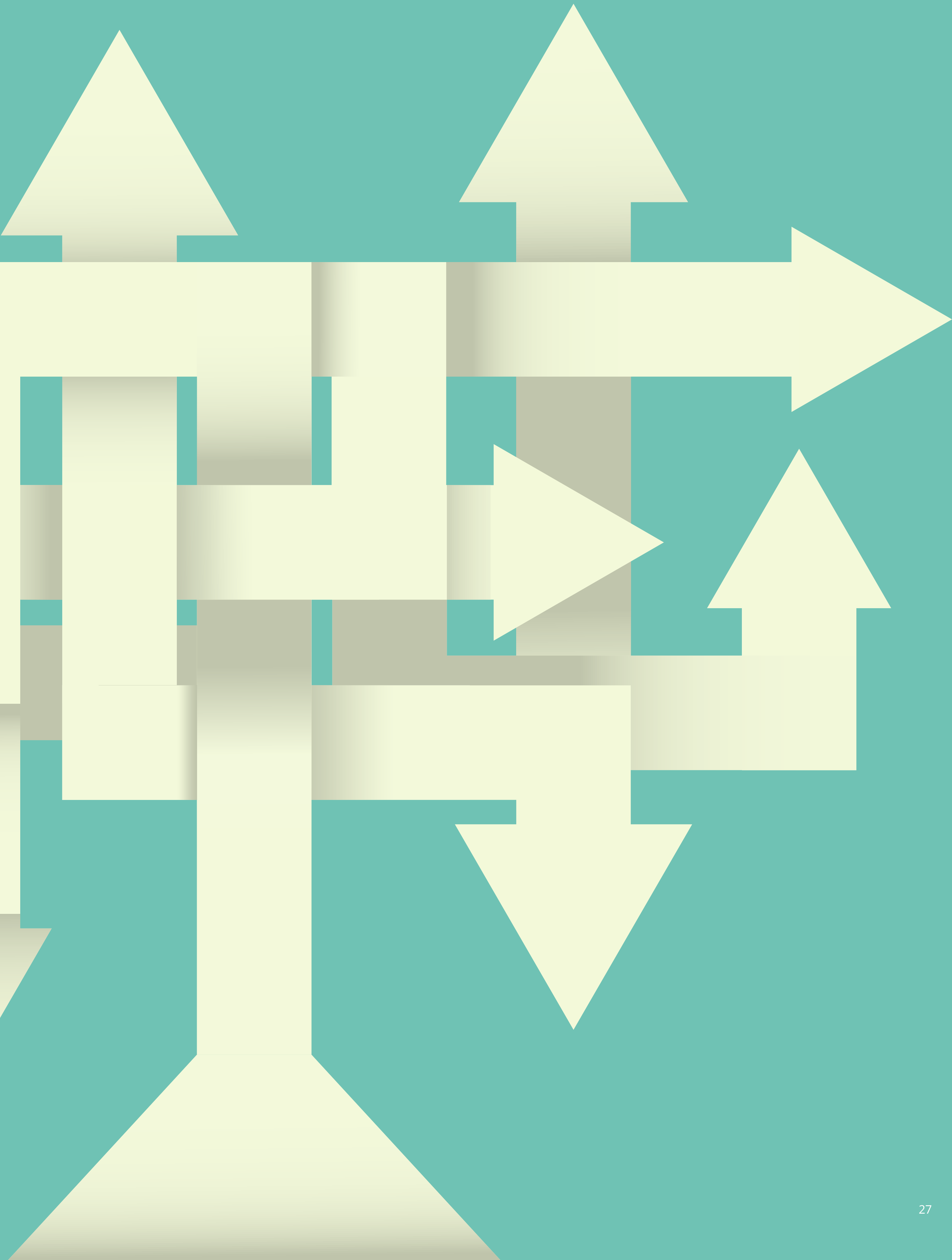
What organizations should do

- **Build or strengthen their Data Classification Framework:** Clearly define and label personal data within all systems, and link classification to handling rules.
- **Conduct regular privacy access reviews:** Set up processes (automated where possible) to review access rights to personal data at regular intervals and ensure role-based and privileged access control is enforced through Identity Access Management (IAM) solutions.
- **Harden technical protections:** Invest in core data security measures, encryption, monitoring, DLP, and secure development practices for applications processing personal data.
- **Ensure end-to-end lifecycle protection:** From collection to deletion, apply strict controls on how personal data is stored, shared, and ultimately destroyed.
- **Data Protection Officer (DPO):** Oversee data privacy and protection practices, conduct regular privacy risk assessments, and coordinate with regulators.
- **Privacy awareness and training programs:** Continuous awareness sessions and training programs empower employees, reduce human error, and build a culture of accountability and data responsibility across an organization.
- **Privacy by Design (PbD):** Ensures that data protection is built into systems, processes, and technologies from the beginning, reducing risks, ensuring compliance, and safeguarding personal data by default.
- **Data Security Posture Management (DSPM):** Provides organizations with continuous visibility into where sensitive and personal data resides, whether on-premises or across cloud environments. Helps identify data stores, classify personal data, detect misconfigurations or unauthorized access, and enforce security policies, which would proactively reduce privacy risks, ensure compliance with data protection regulations, and strengthen their overall ability to protect personal data against leaks, misuse, or breaches.

Achieving PDPL compliance requires more than well-written policies and automated consent tools. At the core of data privacy is data protection, which means embedding robust technical and organizational controls into every layer of the data ecosystem. Organizations that focus solely on the visible aspects of compliance risk missing out on the deeper obligations that truly secure personal data, ultimately falling short of the law’s true intent.

By **Carlos Obeid**, Data Protection Senior Manager and **Daniel Brierley**, Partner, Cyber – Digital Trust and Privacy, Deloitte Middle East

Rethinking failure: Why restructuring and insolvency can drive innovation in the UAE market



As the restructuring and insolvency landscape in the UAE continues to evolve, there is a growing need to shift the perception of insolvency from a last resort to a strategic business tool. The region's legislative and regulatory frameworks have matured significantly, with recent high-profile cases—such as KBBO and Emirates Hospitals Group along with JBF RAK and Drake and Scull International—demonstrating the effectiveness of insolvency processes in achieving positive outcomes for stakeholders and the broader community.

Under the UAE Bankruptcy Law (Federal Decree-Law No. 51 of 2023), as well as the DIFC Insolvency Law (DIFC Law No. 1 of 2019) and the ADGM Insolvency Regulations (2022), a range of restructuring and insolvency options are available to companies in financial distress. Terms like "bankruptcy" and "administration" should no longer be viewed as inherently negative. Instead, they should be recognized as powerful mechanisms that enable businesses to reset, recover, and refocus—often preserving more value for creditors and stakeholders than out-of-court arrangements or, in the worst-case, liquidation.

Directors' duties: A reminder of responsibility

When signs of financial distress emerge, directors must remember that they cannot simply walk away from their obligations. The potential accountability of company management has been reaffirmed in the 2023 UAE Bankruptcy Law, specifically Article 246. Directors have fiduciary duties, and a failure to act responsibly can lead to serious consequences, including civil and criminal liability, as well as disqualification from serving as a director in future.

Some of the common pitfalls include:

- **Breach of fiduciary duties**
  Directors are obligated to act in the best interests of the company and exercise due care (Article 22 of Federal Law No. 32 of 2021, the "Commercial Companies Law"). Misuse of company assets or acting in situations involving conflicts of interest (Article 86) may expose directors to personal liability.
- **Negligent trading (Article 270 of the Bankruptcy Law)**
  Failure to keep accurate and sufficient commercial books and records can result in criminal liability. Maintaining proper financial records is not only best practice—it is a legal requirement. Additionally, if a director of an insolvent business pays certain creditors in preference to others, disposes of assets at a significant discount, or recklessly spends the funds, they may be held criminally liable.
- **Fraudulent activities (Article 271 of the Bankruptcy Law)**
  A director who continues to trade while knowing a business is insolvent—particularly when this further degrades the net asset position with the intent to cause loss to creditors—may be held personally liable.

Why insolvency should be considered

There are many situations in which entering into a formal restructuring or insolvency process may be beneficial or even necessary. These include:

- **Liquidity pressures:** Strained cashflows, unpaid tax liabilities (including Value Added Tax and the newly introduced corporate tax), and unsustainable debt servicing costs may require formal restructuring tools to reach an optimal outcome.
- **Diverse and challenging creditors:** Where negotiations with creditors are failing or proving overly time-consuming, insolvency can provide a legal structure to ensure all creditors are treated fairly and equitably.
- **Shareholder disputes:** In cases when shareholder disagreements become intractable, an insolvency process can offer a legal framework for resolution.
- **Governance issues or suspected fraud**: Where governance has broken down or fraud is suspected, appointing an independent court-appointed trustee or liquidator can protect the interests of stakeholders.
- **Moratorium benefits**: Most formal insolvency processes include a moratorium, which protects against creditor actions and legal enforcement, providing breathing space to develop a restructuring or settlement plan approved by the majority of creditors.

- **Fair treatment of creditors**: A formal process ensures creditor claims are frozen and assessed by an independent party, ensuring transparency and equitable treatment.

- **Recycling of capital**: Restructuring a distressed business enables the redeployment of capital, assets, and resources that might otherwise remain trapped in an unviable business—unlocking the value and supporting broader economic efficiency and growth.

Directors have fiduciary duties, and a failure to act responsibly can lead to serious consequences, including civil and criminal liability, as well as disqualification from serving as a director in future

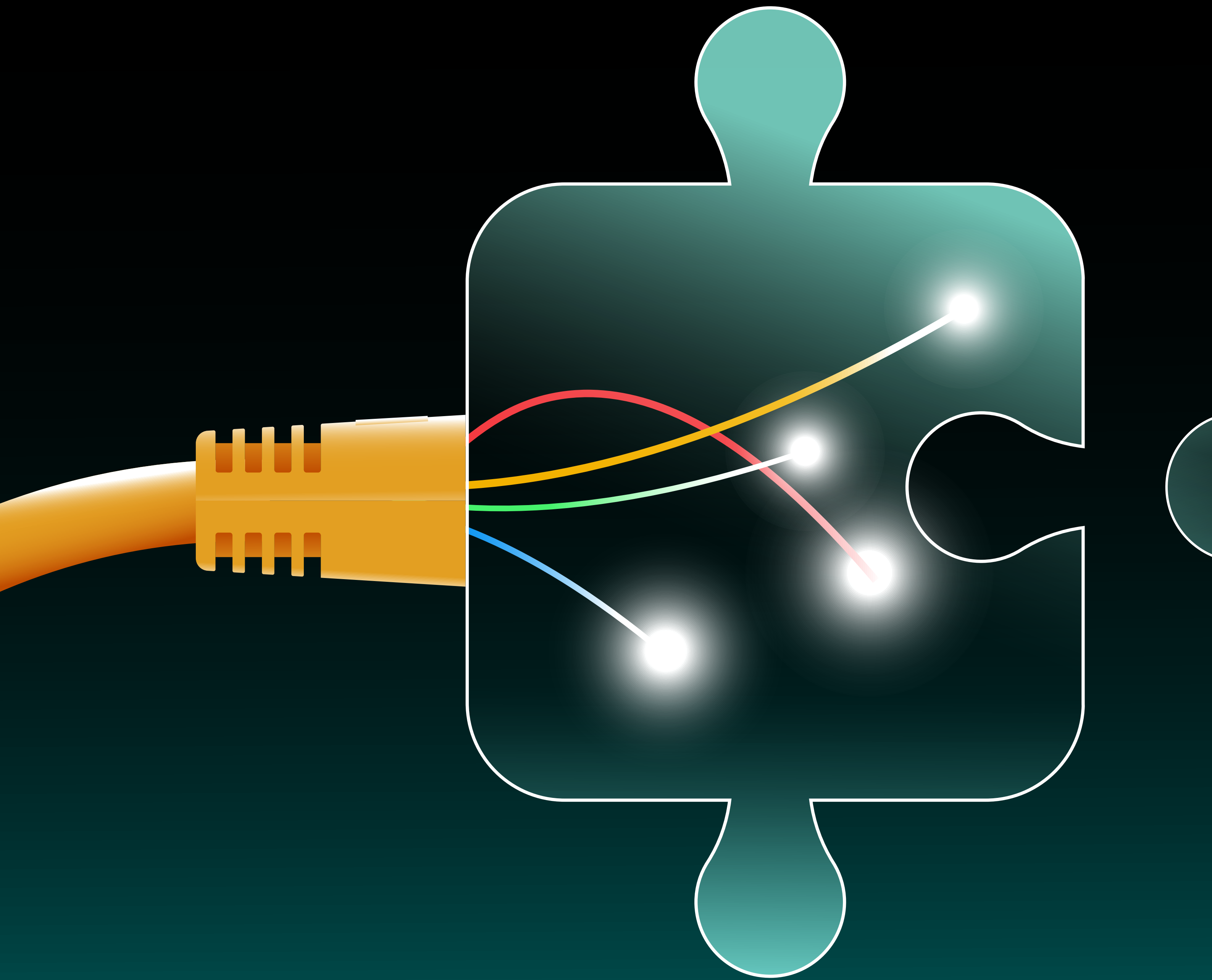
A practical checklist for businesses facing financial distress (and their advisors)

If a business or client is showing signs of financial distress, consider the following immediate steps:

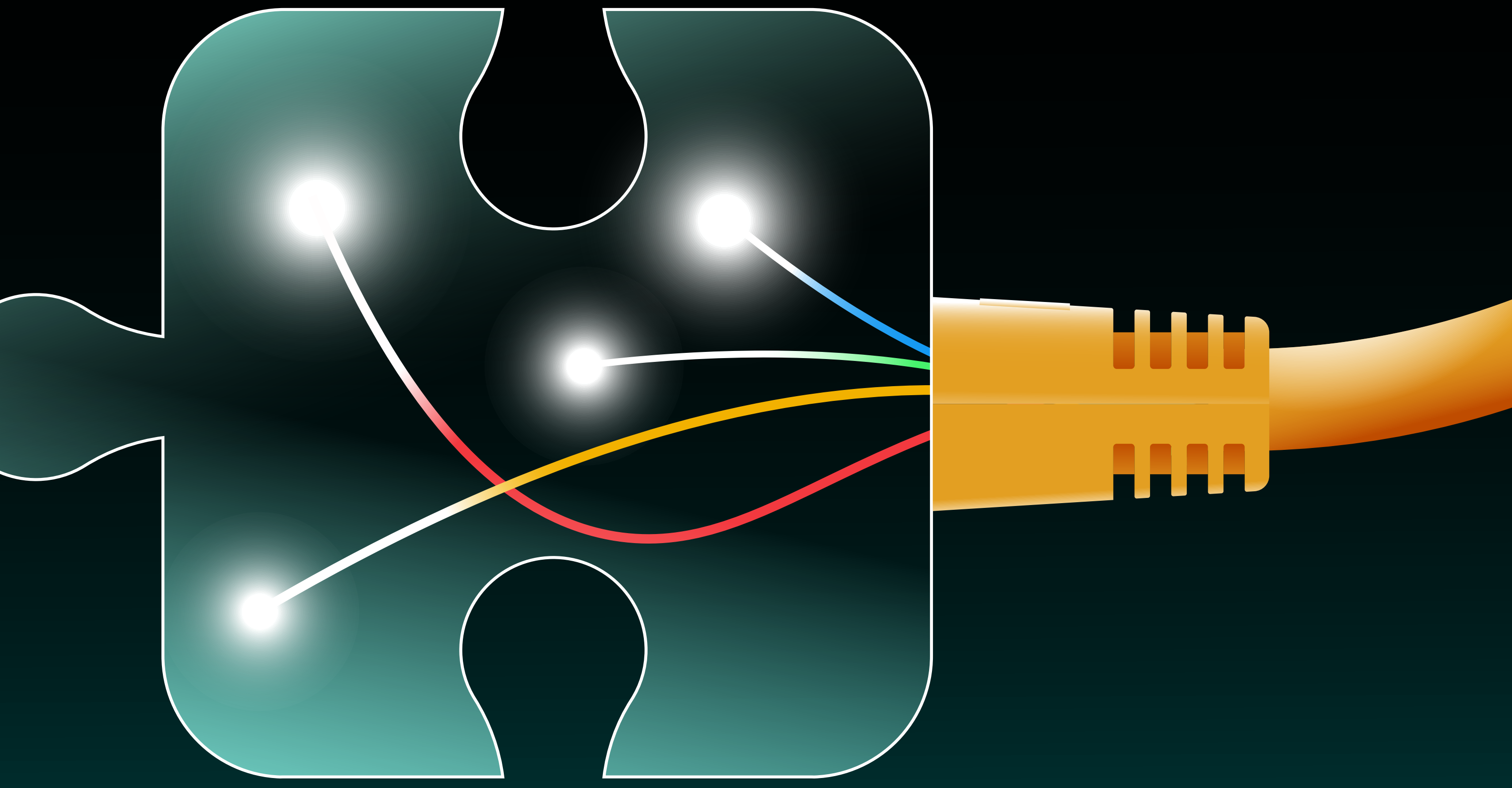
✓ **Act early**	Take action as soon as financial distress becomes apparent. Delay can diminish the value of the business and limit options.
✓ **Understand director duties**	Ensure compliance with fiduciary duties. Avoid trading while insolvent and seek advice early to understand the protection available.
✓ **Engage restructuring and insolvency experts**	Consult with a turnaround and restructuring team that includes Arabic-speaking insolvency professionals. Deep sector expertise and ability to act as trustee, administrator, or liquidator (registered in the DIFC, ADGM, and onshore jurisdictions) allows for guidance to clients through tailored solutions.
✓ **Start lender conversations early**	Proactive engagement with lenders and other stakeholders can pave the way for a collaborative solution and prevent legal escalation.
✓ **Consider a contingency plan**	Collaborate with advisors to develop contingency plans that preserve value and provide options that mitigate against reputational risk and stakeholder impact. A team working alongside financiers, legal advisors, and management to navigate even the most complex situations is ideal.
✓ **Use the insolvency process positively**	A well-planned insolvency process can offer structure, fairness, and a path to recovery, not just for the company, but for all involved stakeholders.

Restructuring and insolvency is not about failure; it's about creating opportunities for recovery and renewal. In a region that is both dynamic and maturing, leveraging the tools available under the relatively new UAE insolvency laws can lead to the best possible outcomes for businesses and their stakeholders.

By **Paul Leggett**, Partner and **Jennifer Frenis**, Director, Turnaround and Restructuring, Deloitte Middle East



Lessons from the frontline: Delivering superior value in technology M&A



The governments of Saudi Arabia and the UAE continue to support entrepreneurship and innovation ecosystems as part of their digital transformation agendas. Over the past decade, technology M&A transactions have increased substantially, underscoring the prevalence of digital business models. However, alongside this opportunity comes a cautionary message: buyer beware.

Investors and corporate executives must comprehensively assess a target's growth prospects, technology assets, digital maturity, and cyber risk profile before signing on the dotted line. Failure to do so can jeopardize both top-line growth and bottom-line value, while exposing the acquirer to potentially serious operational risks such as cyberattacks or integration challenges.

This article explores why such evaluations are so important, highlighting recent examples to illustrate how strong (or weak) capabilities shape post-deal performance and value realization. The message is clear: in a region investing heavily in digital transformation, investments in technology-centric business models need to be clearly understood and evaluated.

Digital deal momentum in Saudi Arabia and the UAE

Gulf economies are in the midst of a digital growth wave as both governments and corporations continue to diversify beyond hydrocarbons. Sovereign wealth funds have invested heavily in technology-centric businesses, while regional corporations race to acquire digital capabilities. The result: an upswing of M&A in sectors such as fintech, e-commerce, and data centers.

For example, fintech investment in Saudi Arabia has grown considerably—the kingdom's fintech ecosystem grew to 224 companies by mid-2024, exceeding the Kingdom's Vision 2030 targets.[1]

This growth is now translating into consolidation and big-ticket deals. In mid-2023, Canada's Brookfield Asset Management agreed to buy UAE-based payments provider Network International for US$2.76 billion,[2] aiming to expand its digital payments footprint in the Middle East. Similarly, in e-commerce, regional players are scaling up via acquisition. Dubai's Noon (backed by Mohamed Alabbar and PIF) purchased fashion e-tailer Namshi from Emaar Properties for AED1.2 billion (US$335.2 million) to expand its online retail offerings.[3] This followed Amazon's headline-making 2017 acquisition of Souq.com, which sparked a wave of interest in e-commerce transactions regionally.

In the data center sector, Gulf telecommunication companies and technology firms are joining forces to meet the growing demand for cloud infrastructure. A recent example is Khazna Data Centers in the UAE, operating 12 facilities and becoming one of the Middle East's largest data center providers.[4]

These examples illustrate how digital capabilities have become central to M&A strategies in the Gulf; they also highlight the importance of assessing both commercial strategy and technology assets. Deal success depends not only on financials or market share but also on whether the target's technology can deliver the promised growth, efficiency, and ability to meet the strategic objectives.

Top-line growth: Digital channels and innovation

In sectors like fintech and e-commerce, the top-line growth rationale for M&A is often predicated on technology—whether it be acquiring a target's digital platforms, user base, or product offerings. Commercial and technology due diligence directly underpin revenue projections and growth forecasts. In addition to market size and growth prospects, buyers need to answer hard questions such as: Can the target's systems scale to support more customers and transactions? Will its digital channels enhance customer experience and drive sales? Does it have the technological foundation to support innovative new products and services?

A thorough technology assessment can reveal whether the acquisition will truly unlock new revenue streams or if it might stall them. Similarly, in fintech deals, issues such as supplier ecosystem, mobile app stability, and data analytics capabilities directly affect the ability to drive top-line growth through cross-selling and innovative offerings. Insightful due diligence can identify these opportunities. On the flip side, if due diligence finds obsolete legacy systems or poor digital user experience, the buyer can adjust growth forecasts (or purchase price) accordingly.

In short, diligence is both growth and operational focused—it validates whether the acquired technology will be a springboard for innovation and revenue, or a bottleneck to growth.

Bottom-line value: Efficiency, synergies, and cost savings

Beyond revenue, commercial and technology due diligence play a pivotal role in safeguarding the bottom-line value of a deal. Many Gulf acquisitions aim to realize cost synergies and efficiency gains—for example, by consolidating platforms, streamlining operations, or leveraging economies of scale in technology infrastructure. However, realizing these savings requires that the underlying technology of both companies can be integrated or optimized effectively.

Sovereign wealth funds have invested heavily in technology-centric businesses, while regional corporations race to acquire digital capabilities

Risk management: Cybersecurity, scalability and integration challenges

Perhaps the most urgent reason to heed the "buyer beware" warning is the risk of cybersecurity vulnerabilities, compliance gaps, scalability limits, or integration pitfalls—any of which could severely damage the value of the acquisition if not addressed early.

Take cybersecurity, for example. According to Control Risks, M&A targets in sectors like fintech or e-commerce often handle sensitive customer data and payment information. If their security practices are lax, the buyer could inherit the risk of data breaches or cyberattacks. With cyber threats on the rise globally, cybersecurity due diligence is now a critical component when assessing potential acquisition targets. Assessing the impact of past cyber incidents or potential vulnerabilities is essential—a costly breach discovered post-acquisition can lead to reputational damage, regulatory penalties, and loss of customer trust.

Conclusion: Vigilance in a digitally transforming market

The message for executives and investors in Saudi Arabia, the UAE, and the broader Gulf is clear: proceed with caution—and be prepared. In a region fervently embracing digital transformation, the saying "trust but verify" applies emphatically to a target's investments in technology assets.

Within this context, commercial and technology due diligence is no longer a niche review; it is a strategic imperative on par with financial and legal due diligence. It enables acquirers to assess strategic fit, comment on the target's ability to innovate, determine growth assumptions, pinpoint cost and efficiency levers, and identify potential post-merger risks. When done right, commercial and technology due diligence provides a growth perspective and a digital blueprint for integration, ensuring the new combined company can hit the ground running. When neglected, the consequences can range from value erosion to potential deal failure—whether through lack of strategic alignment, lacklustre market performance, unforeseen cyber incidents, crippling integration delays, or an inability to scale the business.

The Gulf's technology M&A landscape continues to offer tremendous growth potential, but realizing that demands a holistic assessment of potential acquisition targets. As buyers evaluate targets, they must ask the tough questions about the role of technology and be confident to walk away or renegotiate if the answers are unsatisfactory. The future of M&A success in the Gulf will belong to those who embrace commercial and technology due diligence as diligently as any other facet of deal-making, aligning each acquisition with the robust digital foundations needed for long-term value realization.

By **Zaid Selman**, Director, Value Creation Services, Deloitte Middle East

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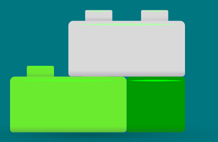
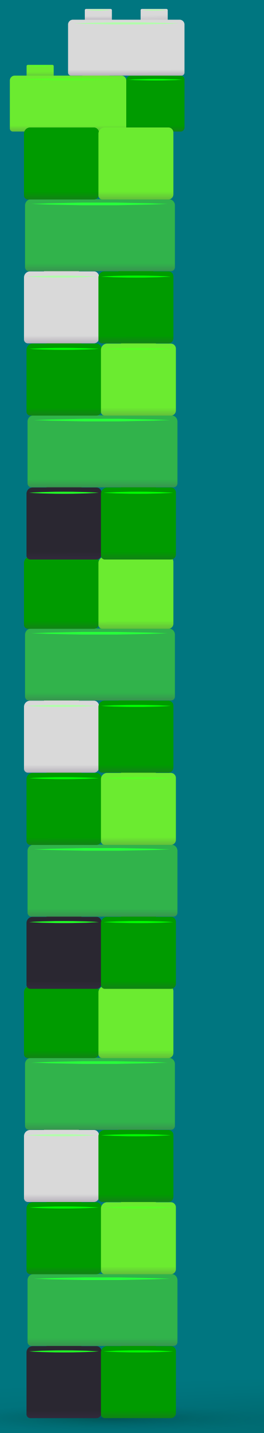


Understanding IFRS 18: Revolutionizing financial statement presentation



In April 2024, the International Accounting Standards Board (IASB) introduced IFRS 18 – Presentation and Disclosure in Financial Statements, replacing the older IAS 1 standard. IFRS 18 is designed to improve how companies present their financial performance and position so that investors and other stakeholders can better understand and compare them. The standard is effective for annual reporting periods commencing on or after 1 January 2027, with the option for early adoption.

Why was IFRS 18 introduced?

The IASB introduced IFRS 18 to address concerns regarding the flexibility permitted under IAS 1 in financial statement presentation. This flexibility frequently resulted in inconsistent reporting practices, complicating the ability of investors and analysts to compare financial performance across companies and industries. IFRS 18 seeks to enhance transparency, clarity, consistency, and comparability in how financial performance is presented.

Key impacts of IFRS 18

IFRS 18 introduces a mandatory structure for the statement of profit or loss, delineating specific categories:

- Operating
- Investing
- Financing
- Income taxes
- Discontinued operations

This structured approach is designed to standardize the reporting of financial performance thereby enhancing comparability across industries and jurisdictions. Previously, under IAS 1, companies had the flexibility to define and organize the income statement, which often resulted in inconsistent reporting practices and impeded effective benchmarking.

Additionally, IFRS 18 mandates that companies transparently disclose management-defined performance measures (MPMs). These non-IFRS metrics, such as adjusted earnings before interest, taxes, depreciation, and amortization (EBITDA) or core earnings, are utilized internally by management to convey financial performance. IFRS 18 stipulates enhanced disclosure requirements for MPMs, including reconciliation with IFRS-defined subtotals. This initiative aims to introduce consistency, discipline, and transparency in the use of non-generally accepted accounting principles (GAAP) performance measures, which have become increasingly prevalent in corporate reporting.

Key differences between IFRS 18 and IAS 1

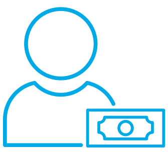
Area	IAS 1	IFRS 18
Statement of profit or loss	No mandatory format; Companies can use discretion in line with nature or function of expense	Introduces a mandatory structure: Operating, Investing, Financing, Income tax, and Discontinued operations.
Subtotals	Few subtotals are defined	Defines new IFRS-specific subtotals, i.e., operating profit, operating profit and income/expenses from integral associate and joint ventures, profit before financing and income taxes.
MPMs, such as adjusted EBIDTA	No specific guidance	• Clearly label MPMs; • Reconcile them to the nearest IFRS; defined subtotal (as mentioned above); • Explain why the MPM is useful; • Disclose change in how the MPM is calculated, if any.
Grouping of expenses	Either "by nature" or "by function" with flexibility	Requires additional disclosures explaining the nature of expenses when classified by function such as whether they relate to cost of sales, administrative costs or research and development.
Associates and joint ventures	Location in income statement varies	Investing category must include income/loss from equity-accounted associates and joint ventures (JVs) not integral to main business.

Impact on stakeholders

For companies:
Implementing IFRS 18 will necessitate significant modifications to reporting systems, chart of accounts, and internal processes. Companies are required to:

1. Review and potentially revamp their financial reporting procedures, as well as adapt IT systems to meet the requirements of the new reporting standards. This could entail changes to the accounting systems and processes, as well as controls to ensure accurate and compliant financial statement presentation.
2. Provide training to staff to ensure proper application and comprehension of new classifications and definitions.
3. Evaluate which performance measures qualify as MPMs and establish robust controls for their definition, calculation, and presentation.

While the initial implementation costs may be considerable, especially for complex multinational corporations, these changes are anticipated to result in more streamlined reporting and enhanced stakeholder credibility in the long term.



For investors and analysts:
IFRS 18 is anticipated to significantly impact investors by introducing a new structure and enhanced disclosures that will:

1. Facilitate improved comparisons between companies.
2. Bolster confidence in management-defined metrics.
3. Enable users to concentrate on the company's core operating performance.

The standardization of subtotals and comprehensive MPM disclosures will be especially advantageous for equity analysts and credit rating agencies, who depend on clear and comparable data for valuation and risk assessment.

For regulators and auditors:
Regulators and auditors must adjust their oversight frameworks to ensure adherence to IFRS 18. Additionally, they will play a pivotal role in:

1. Assessing the reliability of MPM disclosures.
2. Ensuring the consistent application of classification rules.
3. Promoting transparency and consistency, and preventing misleading presentations.

Challenges and considerations

Despite its advantages, IFRS 18 presents several challenges:

- **Judgment in classification:** Determining what qualifies as operating, investing, or financing can be subjective, potentially leading to inconsistencies.
- **Increase in disclosure requirements:** Companies must ensure that accurate disclosures are included in the financial statements.
- **Interaction with local GAAP:** Companies operating in jurisdictions with local accounting standards or additional regulatory requirements may encounter reconciliation complexities.

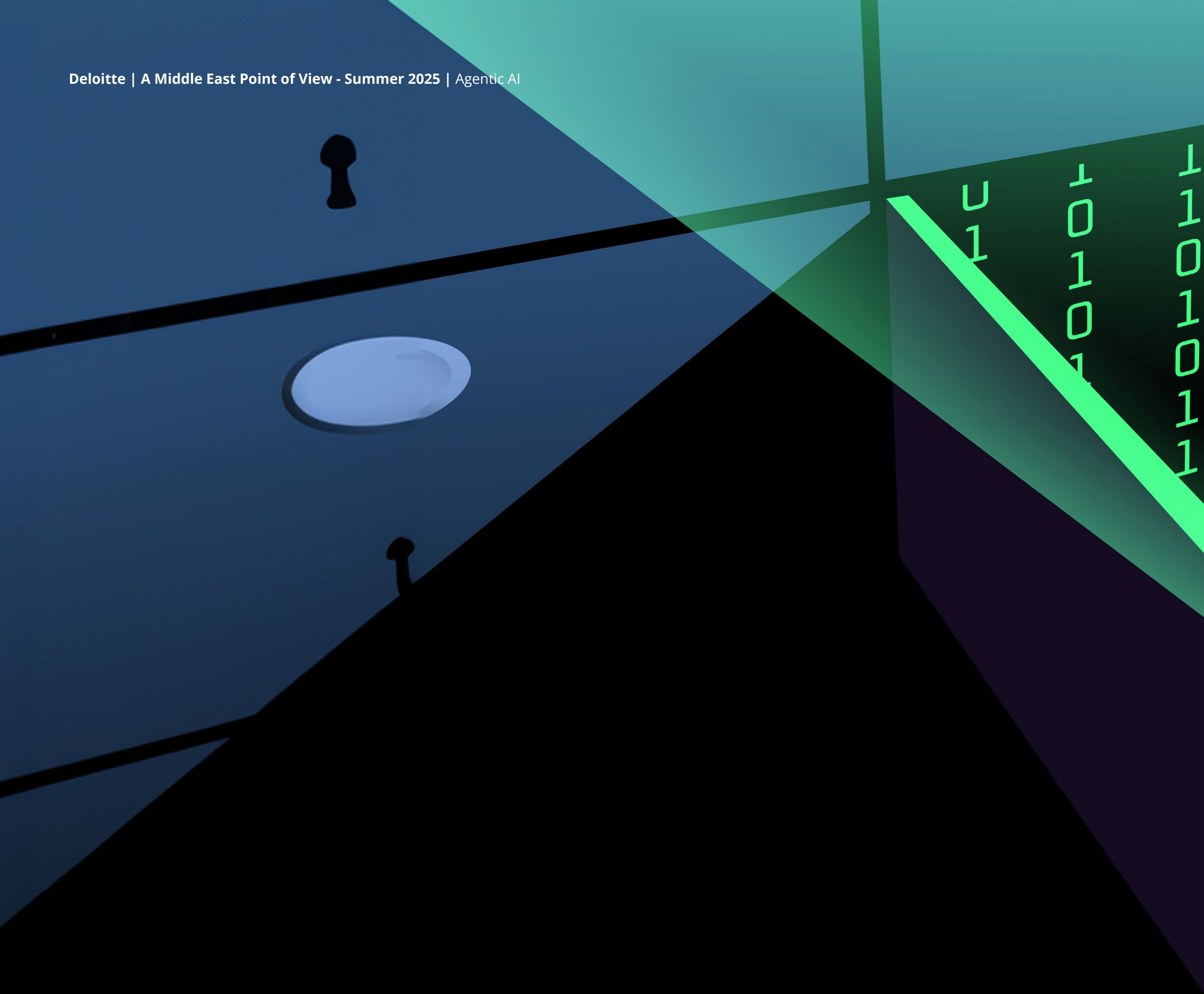
To address these challenges, companies should plan proactively, involve cross-functional teams (accounting, finance, IT), and engage with auditors and regulators throughout the transition phase.

Key takeaways

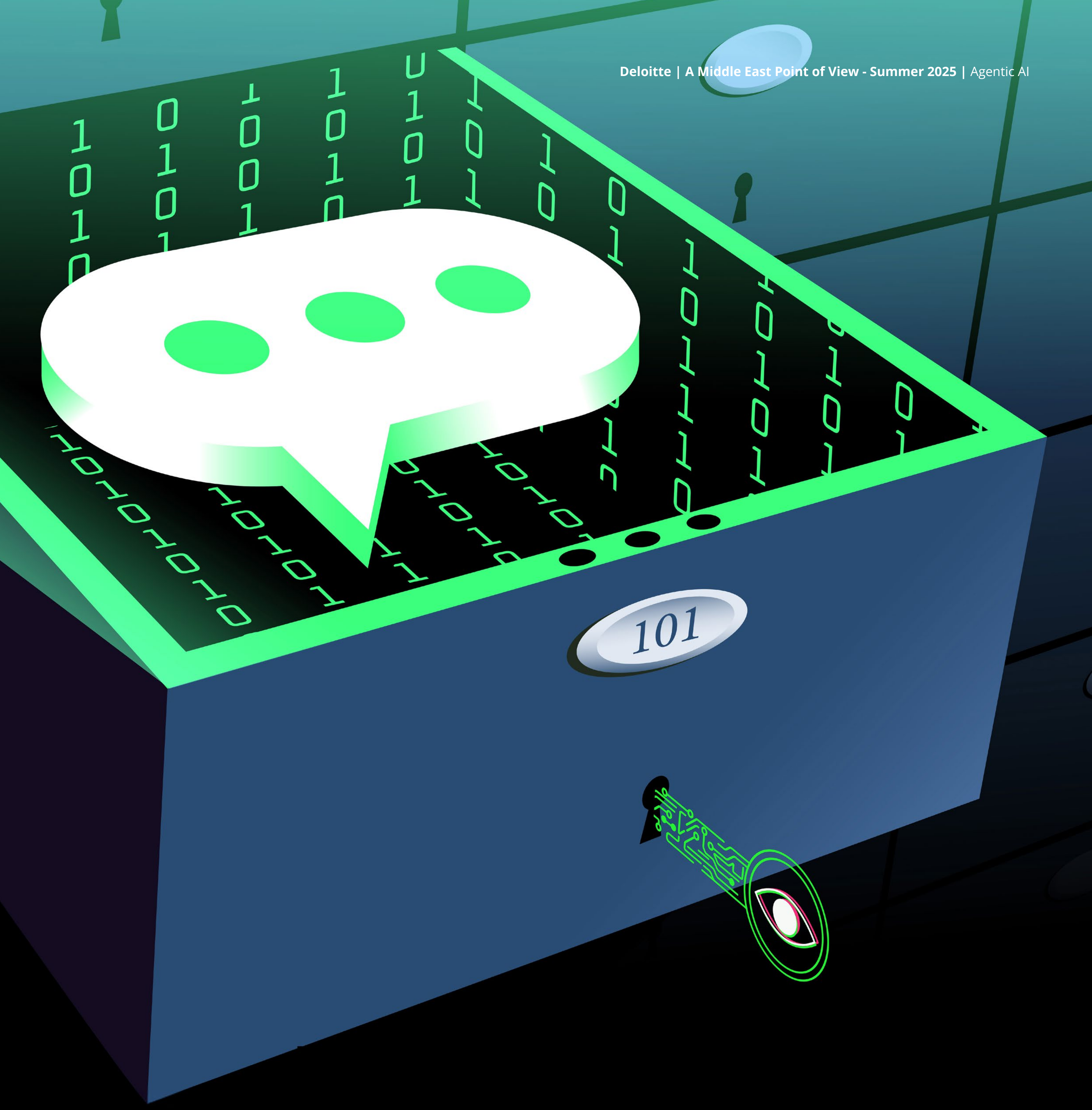
IFRS 18 signifies a bold and essential advancement in modernizing financial reporting. By implementing structured subtotals, enhancing the disclosure of non-GAAP measures, and promoting improved disaggregation, the standard significantly increases the utility of financial statements for all users. For companies, it is imperative to begin preparations now by evaluating current reporting practices, identifying potential gaps, and planning for a seamless transition ahead of the standard's effective date, as the standard would need to be applied retrospectively. While the path to implementation may be complex, the long-term benefits of increased comparability, consistency, and stakeholder confidence position IFRS 18 as a transformative milestone in financial reporting.

By **Krishna Kumar**, Director and **Noman Ijaz**, Senior Manager, External Audit, Deloitte Middle East

By implementing structured subtotals, enhancing the disclosure of non-GAAP measures, and promoting improved disaggregation, the standard significantly increases the utility of financial statements for all users



Agentic AI: From enterprise autonomy to bank-in-a-box reality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Across the region, the expectation and adoption of artificial intelligence (AI)—particularly Generative AI (GenAI)—within banking departments and functions have become prominent topics. While analytics and decision science have long been integral to financial services for decades, the technological advancements and success of GenAI in 2022 created significant buzz across the banking sector. By 2023 and 2024, GenAI had become a focal point for CXOs and bank boards, with widespread interest in exploring, adopting, and realizing its potential benefits.

This growing momentum builds on a broader technological evolution that has unfolded over the past decade. Technologies such as robotic process automation (RPA), AI, predictive analytics, orchestration, hyperautomation, and GenAI—combined with enhanced computational capabilities and emerging technologies—have paved the way for the rise of the autonomous enterprise, or "bank-in-a-box," powered by Agentic AI technology.

What is Agentic AI?

An AI agent is a system that uses large language models (LLMs) to navigate problems by reasoning, leveraging external tools, and drawing on past interactions to refine its approach, ultimately arriving at well-considered solutions. In a business context, AI agents resemble human workers. They must be carefully selected, thoroughly trained, and equipped with the right tools to perform effectively. Strategic deployment and consistent management are crucial to ensure they deliver efficiency and additional value. Integrating AI agents with human-like cognitive skills helps businesses improve productivity, streamline operations, and achieve greater success.

> AI agents are intelligent systems that show reasoning, planning, and memory.
>
> – Sundar Pichai
>
> AI agent workflows will drive massive AI progress this year—perhaps even more than the next generation of foundation models. It is an exciting trend that everyone building AI should pay attention to.
>
> – Andrew Ng, Leading AI Expert

Why are agents changing the game?

AI agents autonomously execute predefined, multi-step tasks, integrating multiple tools and continuously learning from user inputs. With agents, GenAI is more powerful, versatile, multimodal, and human-like than before.

Compared to traditional AI and LLMs, agents are significantly more:

- **Intelligent:** Capable of enhanced reasoning and planning
- **Self-learning:** Able to learn from previous interactions for customized user experiences
- **Memory-enabled:** Retain and apply knowledge in future interactions and work
- **Accurate:** Better at understanding broader context and nuanced language
- **Productive:** Execute tasks more efficiently with semi-autonomous workflows
- **Adaptable:** Dynamically adjust to new information and knowledge sources
- **Capable:** Automate more complex and diverse applications

Why now? Agentic AI is evolving rapidly to revolutionize productivity

With over 1.25 billion knowledge workers globally, the stagnation of total factor productivity—growing just 0.8% from 1987 to 2023 and only 0.5% from 2019 to 2023 in many advanced economies—highlights the urgent need for innovation. Total factor productivity measures the efficiency with which labor and capital are used together in the production process. Despite advancements in technology, traditional automation has had limited impact on improving the efficiency of knowledge work, which involves tasks that require cognitive skills and decision-making.[1]

Agentic AI offers a transformative solution by redefining tasks and driving productivity gains across industries. Unlike traditional automation, which often focuses on repetitive and rule-based tasks, Agentic AI leverages advanced reasoning, planning, and self-learning capabilities to handle more complex and dynamic workflows. This enables businesses worldwide to enhance productivity, streamline operations, and achieve greater efficiency in knowledge work.

Agentic AI will begin as a companion to every role in the organization—guiding, assisting, and learning. But as trust grows in its capabilities and decisions, it will quietly evolve from support to substitution, reshaping organizations into leaner, smarter systems.

Understanding and managing emerging AI risk

As AI technology continues to evolve and integrate into various business functions, it is crucial to address the associated risks to ensure responsible and effective implementation.

- **Trustworthy AI (AI risk, governance, and controls)**: An effective AI risk management framework focuses on the ethical, reliable, accountable, and secure aspects of AI. It provides organizations with comprehensive guidelines to navigate AI risks effectively.

- **AI model lifecycle governance**: Robust governance of the AI model lifecycle is critical to ensure that AI systems are developed, deployed, and maintained responsibly. This includes comprehensive oversight from inception through to retirement, ensuring ethical and reliable performance throughout.

- **Regulatory considerations**: Navigating regulatory requirements is essential for AI implementation. Streamlined processes for planning, governance, execution, and quality assurance of regulatory change management help ensure compliance and reduce administrative burden.

- **Data privacy and cybersecurity**: Ensuring data privacy and robust cybersecurity measures are integral to trustworthy AI. Protecting sensitive information and safeguarding against cyber threats are critical components of a comprehensive AI risk management strategy.

Bringing it all together

The integration of Agentic AI into business operations marks a significant shift in how organizations can leverage AI to enhance productivity and efficiency.

- **Transforming core operations:** GenAI is moving beyond content creation to orchestrating entire business processes with specialized agents.

- **Beyond generation:** Modern AI agents possess the ability to plan, execute, and reflect, driving deeper automation and providing valuable insights.

- **Multiagent complexity:** Implementing multiagent systems, where tasks and communication are distributed among agents, introduces significant potential and complexity.

How to go about achieving this

To effectively implement Agentic AI, banks should invest in and develop the necessary expertise and solutions to support this journey. The initial step is to develop a Target Operating Model for Agentic AI. This foundational framework ensures that the organization is structurally, technologically, and culturally prepared for implementation. It provides a clear roadmap by considering five key pillars: strategy, governance, technology, talent-organization-culture, and delivery.

Establishing an Agentic AI Centre of Excellence (CoE) is crucial for achieving AI transformation objectives swiftly. This integrated collaboration model emphasizes rigorous governance, stakeholder alignment, and comprehensive oversight. Close collaboration across teams ensures the provision of all necessary resources for management, project control, AI capabilities, and emerging technologies. This approach enables measurable impact and cultivates a truly AI and data-driven culture within the organization.

In conclusion, by strategically investing in these areas, banks can position themselves to harness the full potential of Agentic AI, driving innovation and efficiency across their operations.

By **Ravi Ranjan**, Partner, AI and Data, Deloitte Middle East

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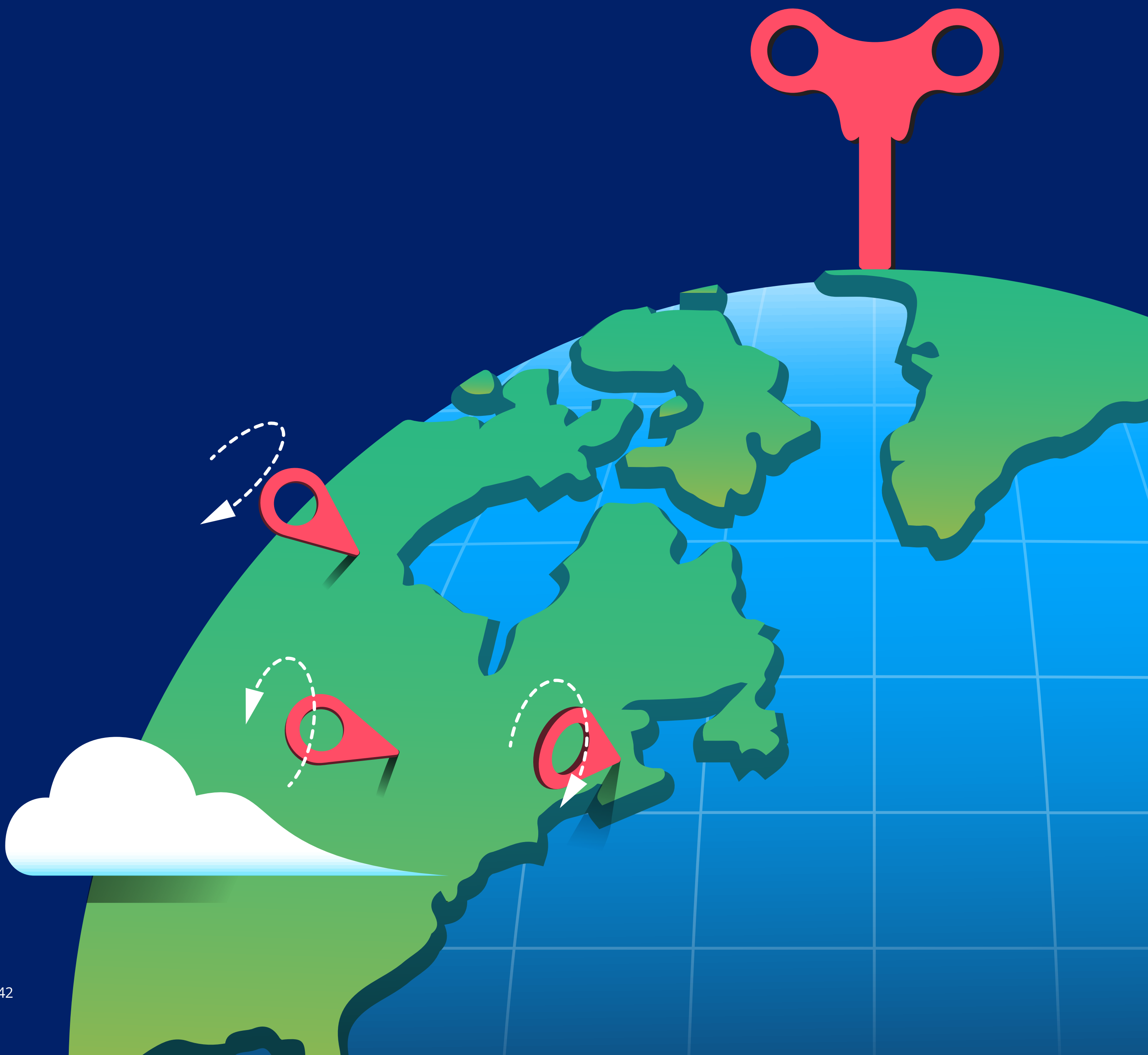
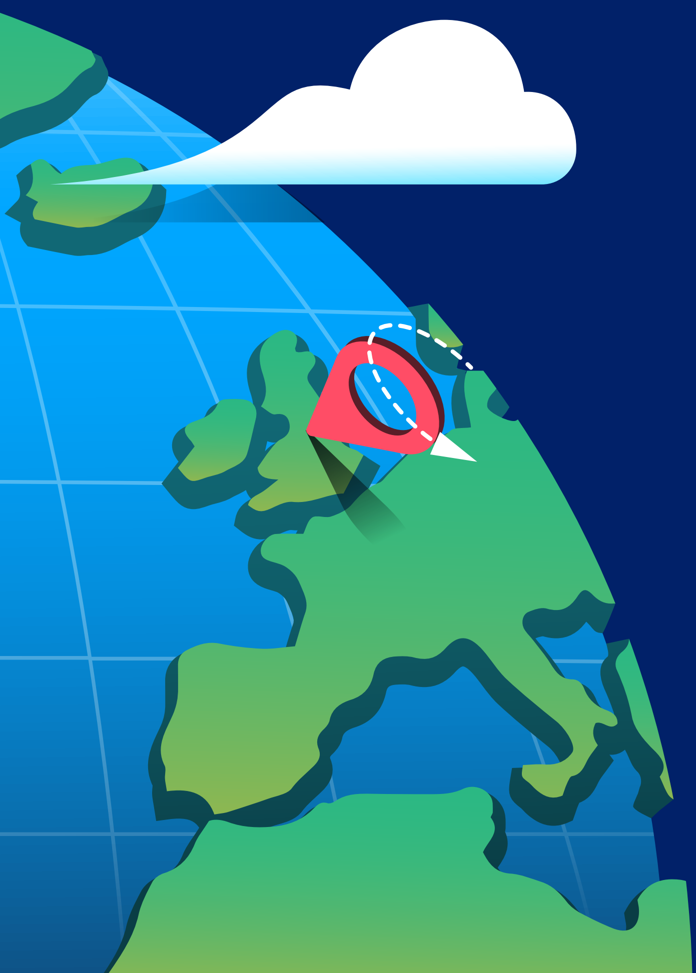


Subsidiary governance: Building control and clarity across group structures



As business groups scale across borders and sectors, their legal entity structures inevitably become more complex. In dynamic markets, large organizations often operate through numerous subsidiaries that span multiple regulatory jurisdictions, service lines, and local markets. While this model offers flexibility and responsiveness, it also introduces significant governance risk if oversight is inconsistent or disconnected from the parent entity's oversight.

Increasingly, boards and regulators are recognizing that governance must extend beyond the parent company. Subsidiaries—often holders of key assets, licenses, and relationships—require structured oversight to ensure compliance, alignment, and accountability. As such, subsidiary governance is a strategic enabler, not just another legal requirement.

Organizations should aim to develop an integrated framework that brings together board structure, delegation, key controls, reporting, and stakeholder alignment, while also clearly defining how standards and requirements will be cascaded—whether through a risk-based approach or by applying all standards uniformly. When implemented effectively, such a framework strengthens decision-making, reduces risk, and supports long-term enterprise value across the group, with each governance layer calibrated according to the chosen cascade model.

Governance structures that support group integrity

A robust group governance framework should first establish clear criteria for determining which entities within the group require a formal board, based on factors such as regulatory status, risk profile, and strategic importance. Once those entities are identified, the framework then prescribes the appropriate board structure—defining mandate scope, composition, reporting lines, and escalation pathways—so that each board operates with the right level of oversight and accountability. This approach ensures consistency and substance in governance across the group, while tailoring board arrangements to the needs of individual entities.

Board composition

The composition of subsidiary boards plays a pivotal role in effective governance. Directors must have the right balance of group alignment and local insight, as well as an understanding of their legal responsibilities under jurisdiction-specific regulations.

Delegation of authority

A robust Delegation of Authority framework distinguishes which decisions remain with each entity's board and management and which must be escalated to the group—clearly specifying for each matter whether the group's role is endorsement or final approval. While each entity's constitutional documents set its local authorities, the group-level framework centralizes oversight of strategic issues, preserving operational efficiency and ensuring appropriate control.

Reserved matters and oversight boundaries

Identifying and clarifying reserved matters—decisions requiring group-level oversight or shareholder consent—is an essential control. These typically include major strategic initiatives, significant capital commitments, senior leadership appointments, and structural reorganizations. Reserved matters must be documented in board charters and embedded in operational workflows so that local management clearly understands its decision-making boundaries. In jurisdictions like Saudi Arabia, formal approval rights often rest with the capital owner rather than the parent board, with the board serving as the decision-making mechanism; the governance framework should reflect these legal and ownership nuances.

From experience, these controls are most effective when supported by robust tools and consolidated tracking, enabling governance teams to maintain oversight and provide timely guidance without unduly disrupting local operations.

It's important to tailor reserved matters to each group's industry context, the maturity of both parent and subsidiary, and the organization's strategic direction—there is no one-size-fits-all. Moreover, reserved matters fall into two categories: those requiring board-level approval and those reserved for shareholders, the latter often defined by law (for example under Saudi regulations).

Integrating strategy and controls

Effective governance extends beyond structure—it must shape everyday business practices. Subsidiary governance should directly support strategy execution through clear expectations around policies, procedures, and controls. The group sets the overall policy framework—defining which policies subsidiaries must adopt, which may require localization, and which they can develop independently—while a structured approval process ensures consistency, compliance, and alignment with strategic objectives.

Reporting mechanism

Effective governance also requires a consistent reporting mechanism from subsidiaries to the group. This includes financial results, compliance updates, operational risks, and board decisions. Many organizations suffer from fragmented reporting, which impedes oversight and makes it difficult to respond to regulatory or stakeholder demands. Centralized dashboards and standardized templates can streamline this process and enhance transparency.

Increasingly, boards and regulators are recognizing that governance must extend beyond the parent company. Subsidiaries—often holders of key assets, licenses, and relationships—require structured oversight to ensure compliance, alignment, and accountability.

Role clarity

A robust governance framework must clearly document the roles and responsibilities of board members, executives, and function leaders—establishing defined reporting lines and standardized role descriptions to ensure accountability and clarity.

Clear role definitions and accountability are critical in a multi-entity group context. By documenting precise responsibilities and hand-off points—and using tools such as RACI matrices—organizations eliminate ambiguity and ensure each team member and leader understands their remit. This clarity not only streamlines decision-making but also underpins effective governance across all business units.

Stakeholder engagement and regulatory interface

Effective subsidiary governance must include proactive stakeholder engagement—particularly with regulators—by recognizing that each jurisdiction has its own nuanced requirements and expectations. Rather than viewing regulatory obligations as a bureaucratic burden, group governance should equip subsidiaries with the local expertise, processes, and resources they need to meet these obligations efficiently. This means embedding structured regulatory-engagement protocols into subsidiary charters, providing targeted training on local compliance standards, and establishing feedback loops so that the group stays informed of emerging regulatory changes and can adjust its policies accordingly.

In today's multi-entity environment, effective subsidiary governance is essential for translating corporate strategy into consistent, controlled execution. As organizations expand across jurisdictions and sectors, they must implement an integrated governance framework that defines board composition, delegation boundaries, operational controls, and stakeholder-engagement protocols—while allowing for local adaptation of policies and processes. By documenting clear roles and responsibilities, embedding reserved-matters and DoA rules, and establishing standardized reporting and approval workflows, companies enhance transparency, accountability, and operational agility. Proactive regulatory engagement and tailored compliance processes ensure subsidiaries meet local obligations without impeding performance.

Ultimately, a robust, fit-for-purpose governance model not only mitigates risk and bolsters oversight but also becomes a strategic asset, enabling sustainable growth and long-term value creation across the group.

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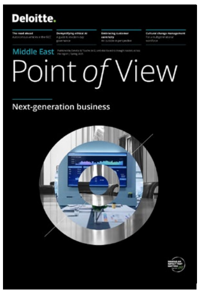

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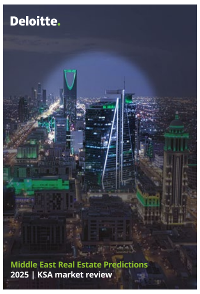

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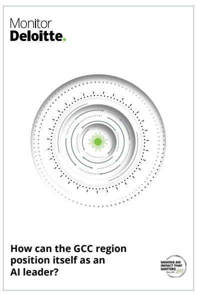

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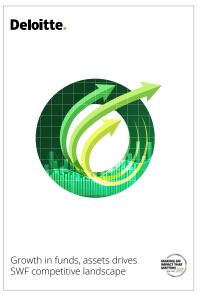

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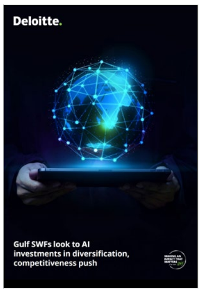

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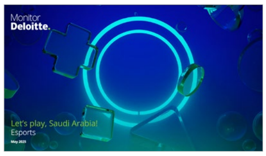

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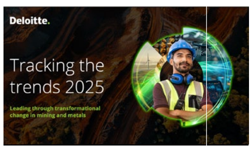

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