

# Qatar

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## Regulators broaden economic scope

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Calm and discrete for decades, the state of Qatar is currently in the middle of an economic surge supported by its expanding production of natural gas and oil. Economic policy is focused on the development of Qatar's natural gas reserves and increasing private and foreign investment in non-energy sectors.

### Energy sector

Oil and gas account for more than 60% of GDP, roughly 85% of export earnings and 70% of government revenues. Oil and gas have made Qatar one of the world's faster growing and highest per-capita income countries - equal to the EU in 2007 in terms of per-capita income.

Sustained high oil prices and increased natural gas exports in recent years have helped build Qatar's budget, trade surpluses and foreign reserves. Proven oil reserves of more than 15 billion barrels should ensure continued output at current levels for 22 years. Qatar's proven reserves of natural gas are roughly 25 trillion cubic metres, about 15% of the world total and the third-largest in the world. Qatar permitted substantial foreign investment in the development of its gas fields during the last decade and became the world's top liquefied natural gas exporter in 2007. With one of the fastest-growing economies in the world, Qatar has developed in recent decades to become a major global supplier of energy.

However, while developing its energy resources, Qatar has also diversified its economy: emphasis is being placed on private-sector industrial development and business-related fields. This is clearly reflected in the Qatari legal and regulatory framework.

### Foreign investment

Indeed, a Foreign Investment Law enacted in 2000 allows for up to 100% foreign investment in large-scale projects related to agriculture, industry, leisure, tourism, health, education and the exploitation of natural resources, subject to the approval of the Ministry of Economy and Commerce.

The Foreign Investment Law was followed by the enactment of a new Commercial Companies Law in 2002 which provided for seven forms of companies, namely the general partnership, the limited partnership, the undeclared partnership or joint venture, the joint-stock company (which can be public or private), the partnership limited by shares, the limited liability company and the holding company, in addition to an eighth form introduced in 2006, the single person company.

Having a sound dual banking system, both in the conventional and Islamic fields, Qatar also launched a securities exchange, the Doha Security Market, in 1997. The value of traded shares in 1997 was QR320 million (\$88 million), and has since increased annually, now equating to dozens of billions of Qatari riyals per year.

The Foreign Investment Law was amended to allow non-Qatari investors to invest in the Doha Security Market. Moreover, foreign investments in banks and insurance companies are now permissible, subject to a decision of the Council of Ministers.

### Property rights

Another important incentive for foreign investment was the recent legislative development that opened property rights to non-Qataris, whereas the previous legal framework prohibited any type of ownership of real estate by non-Qataris.

One of the main pieces of legislation in this respect was a law of 2004 that allowed non-Qataris (whether physical persons or legal entities) to own real estate in three large-scale development projects in Qatar (the Pearl Project, the West Bay Lagoon Project and the

Al Khor Project). The same law also granted non-Qataris the right to benefit from a 99-year usufruct right on land and residential units in more than 19 designated regions.

### Tax regime

Foreign investment incentives also include an advantageous tax regime. Indeed, taxes are currently only paid by non-Qatari (and non-GCC) individuals or entities with respect to corporate income (noting that the rate ranges from nil on profits less than QR100,000 to 35% on profits more than QR5 million and that tax exemptions may be granted in specific cases). However, there are no personal taxes, social insurance or other statutory deductions from salaries and wages paid in the country and there are no estate tax, gift tax, withholding tax or VAT, although a new Tax Law that may change the current Qatari tax environment is expected to be enacted shortly.

### Qatar Financial Centre

Along with the orientation outlined above, the State of Qatar instituted in 2005 the Qatar Financial Centre (QFC), a financial centre from which one may transact both within Qatar and internationally. The QFC is intended to be a major financial hub for the region, and has allowed foreign individuals or entities to operate from within the QFC without a Qatari partner. However, in order to be able to operate from the QFC, one must be involved in a financial activity or an activity related to the financial sector (such as financial consulting, auditing and so forth). As of July 2008, over 88 international firms have incorporated entities in the QFC, a number that is expected to exceed 100 in 2008.

As of this writing, there is no tax in the QFC, and QFC entities are not subject to any tax, be it income tax, capital gains tax, or any other tax, nor are they obliged to charge VAT for the services they render. However, the QFC is contemplating the adoption of a new

tax system, and is expected to enact this in the second half of 2008.

Qatar intends to build a solid and diversified economy, and the ensuing economic activity is remarkable, with an increasing number of foreign firms in various fields expanding to Qatar to benefit from the boom.

All these incentives and advantages position the State of Qatar as one of the most competitive financial hubs in the Middle East and one of the most promising countries in the MENA region in terms of business and investments for the coming future.

## Financial and corporate

Recommended firms	
<b>Tier 1</b>	Hassan A Al Khater Law Office Law Offices of Gebran Majdalany
<b>Tier 2</b>	Patton Boggs Simmons & Simmons
<b>Tier 3</b>	A Rahman Mohamed Al-Jufairi Advocates & Legal Consultants Adv Mohammed Al-Marri in association with Al Tamimi & Company Arab Law Bureau Eversheds Sayel M Daher Law Offices

Qatar has one of the highest GDPs per capita in the world, owing to its vast oil reserves and even more vast liquefied natural gas (LNG) reserves. As one lawyer puts it: "Qatar's got the stuff coming out of its ears."

This fabulous wealth combined with various government initiatives has led the country to both diversify its own economy and its global investment portfolio. Within the country, real-estate development and financing reigns. Qatar's breakneck development leads it to be frequently described as a giant building site.

A prime example of this is Qatar's newest city Lusail, north of Doha, which is planned to have marinas, golf courses, residential areas, resorts, entertainment areas and high-end shopping boutiques, by its completion date of 2010. A multi-billion dollar project, Lusail represents Qatar's largest real-estate development to date.

It is more than a property development: Lusail is also a symbol of the Qatari government's focus on steering the country's economy away from its reliance on energy. Numerous "city" projects have come about as

well, including the Education City, with branch campuses from the likes of Carnegie Mellon University and Northwestern University; the Sports City; and a planned Entertainment City.

But the country is also looking outwards, using its huge monetary surplus to invest worldwide and diversify its portfolio. "Qatar feels that it's very important in its new position in the world to be a supporter of the developing world," says one lawyer. "And it's a bridge between the developing countries and the developed countries." The country's biggest global investors include the Qatar Investment Authority, Qatar Telecom and Qatar Petroleum.

Islamic finance has also seen phenomenal growth in recent years. According to some, it is now the preferred method over conventional financing, especially in real-estate development.

The legal market is set to open up as well, as more law firms and financial institutions come in through the Qatar Financial Centre (QFC). "Having these international law firms is very good for Qatar, because there's a growing sophistication in the type of work that's getting done here," comments one lawyer. Others note, however, that local firms grumble that international firms go beyond the scope of work allowed to them under QFC aegis. And while many of the larger projects may still be done by firms out of Dubai, lawyers and bankers note the increasing need for strong local counsel.

"Local presence is important," says one company director. "[Qatar is] an up-and-coming market, it's the fastest growing economy. For firms which have a particularly interest in the Middle East, they should start seriously considering opening up offices in Qatar."

### Hassan A Al Khater Law Office

Hassan A Al Khater Law Office, which won *International Financial Law Review's* 2007 award for the Qatari law firm of the year, is easily one of the country's top choices for Qatari law, and is highly regarded by both its clients and competitors. The firm has expanded this year, taking on foreign legal consultants including John Whatnall from UK firm Halliwells.

Of the firm's managing partner, one client says: "We seek his opinion regarding Qatari local laws; we really rely on his input and trust his judgement and legal opinion," adding that "he can provide accurate legal advice regarding several [types of] projects".

A standout deal for the firm was its involvement in the Lusail Waterfront Project as the advisor to Masraf Al Rayan Bank. In the

financing of the Barwa real-estate development, the firm fielded a team led by Al Khater to advise banks on two revolving *murabaha* facilities, one of \$600 million from the Gulf International Bank and another of \$800 million from BNP Paribas.

A key M&A deal for the firm was its role in the planned £700 million acquisition of British supermarket operator J Sainsbury by Qatari private-equity vehicle Delta Two; the firm advised Credit Suisse.

Says one client: "We really think it's one of the best - or the best - law firms in Qatar."

#### Leading lawyers

Hassan Al Khater

### Law Offices of Gebran Majdalany

In Qatar's rapidly growing economy, Law Offices of Gebran Majdalany is well placed to advise on the country's most prominent deals. Though the coming times see a stream of international law firms entering the market, the firm has strong roots in Doha, the practice having been established in 1967, allowing it to draw from a vast well of local experience. The firm has two departments: an Arabic-language team catering to regional law, and an English-language team with a number of internationally qualified lawyers. As a result it is active both on domestic and international transactions.

"They are excellent, very experienced; my opinion is all positive about them; have nothing negative to say," says one client of the firm. Representing Qatar Petroleum, the practice worked on the Gulf International Services IPO, a \$750 million transaction which closed in February. Gulf International Services was the holding company into which shares of three Qatar Petroleum subsidiaries - the helicopter, insurance and drilling companies - were transferred. In another power project, Law Offices of Gebran Majdalany has been representing the lenders to the Qatar Petroleum Ras Laffan C desalination and electricity project, worth over \$1 billion.

The firm worked has been working on several other highlight real-estate deals. In one, the firm represented the state-owned real-estate company Qatari Diar on its acquisition of the UK's Chelsea Barracks army site for £959 million. In another, the firm represented Al Waab City in relation to a real-estate development, involving the construction of a mall, hotel and residential units.

Client particularly commend the firm's founder, Gebran Majdalany, who has been practising for more than 40 years. Says one client: "His wide knowledge and experience is a kind of reference [for us] in legal opinion."

**Leading lawyers**

Gebran Majdalany

**Patton Boggs**

When Patton Boggs made its international debut in Qatar in 2003, the move seemed a curious one. But the country's relentless rise has brought the mid-sized US firm with it, giving it an enviable share of one of the world's hottest markets.

Patton Boggs derives the majority of its work from the Qatari government and government-related entities. The firm offers a well-rounded practice across different areas, and has done a lot of work in real-estate, infrastructure, hospitality and energy in particular this year.

Patton Boggs had a considerable role to play on the \$2.5 billion Lusail project, representing state-owned developer Qatari Diar on the country's largest real-estate deal and the first time Qatar has offered real-property interest to foreign investors. The firm worked on another deal for Qatari Diar to negotiate and establish a joint venture with a global vacation and leisure real-estate company in distributing luxury properties. One notable aviation project saw Patton Boggs advise the steering committee in relation to the construction of the New Doha International Airport.

In energy, the firm represented Qatar Petroleum and RasGas in negotiating several LNG contracts. It also advised the government's technical committee on the formation of the Qatar International Petroleum Marketing Company.

Robert Hager heads Patton Boggs' Doha office, which recently welcomed Iraqi partner Hussein Damirji as a valuable addition to its financial and corporate practice.

**Leading lawyers**

Robert Hager

**Simmons & Simmons**

Simmons & Simmons, the first international firm to set up shop in Doha, has benefited from its long-term commitment to Qatar. The firm has a solid reputation in the country, especially for gas projects, but also for capital markets work and for project finance in sectors from transportation to real estate. This year, Simmons & Simmons promoted Samer Eido to its partnership and took on new lawyers including senior counsel Dani Kabbani, who joined the firm from Qatar Petroleum.

"I've used them on a number of transactions," says a client. "I find them pretty

responsive in helping out and so I've really got no hesitation in using them."

Showcasing its strength in the international markets, Simmons & Simmons was one of the firms involved on the first large debt issuance out of the country by a Qatari listed company in a decade. The firm advised Commercial Bank of Qatar on its approximately \$1 billion listing of GDRs in London.

Simmons & Simmons is noted for its strength shariah-compliant finance. "They've set up a very specialised Islamic finance practice," says a client. "I don't want to be the guinea pig of the law firms. When I'm doing the Islamic structure, its documentation has its own sets of sensitivity. If a law firm is aware of those sensitivities, it makes my life easier because when they are doing the documentation they'll take those into consideration earlier on, rather than me. If I can save time on that, that is fantastic, and I think I can do that with Simmons & Simmons."

The firm has taken advantage of the surge in Islamic finance work to act on a number of transactions. In one, Andrew Wingfield advised Samba Capital & Investment Management Company, the financial advisor to a start-up Islamic bank, on its \$500 million capital raising. Another deal saw Eido and team advise Salam Bounian Development Company on a \$137 million musharaka sukuk issuance on the Luxembourg Stock Exchange.

"My preference is to use international firms that establish a presence here in Doha," says one client of Simmons & Simmons' Qatar office. "They can get a handle on the local law requirements as well as be at my beck-and-call at all hours."

**Leading lawyers**Samer Eido  
Andrew Wingfield**Eversheds**

Eversheds is still rather new in terms of its Qatar office, though it has had a presence in the sultanate for years from a former association with another local firm. But the firm is certainly one to look out for; as one client puts it: "Eversheds is coming up."

Eversheds' banking and Islamic finance team in Qatar has added four members this year, including relocating partner Amjad Hussain from the firm's UK office. Managing partner Chris Jobson will be moving out to the firm's new Abu Dhabi office, which got its licence earlier this year, to head up the Middle East practice. Clients appreciate the firm's combination of an international network and local presence.

One client of Jobson says: "He becomes a conduit to find the right contacts at the London office and elsewhere, and he's also a good sounding board for me when I have a quick issue I need to resolve. I can call and get an opinion."

Eversheds has been advising investor Qatar National Bank on its debt-and-equity financing, totalling more than £2 billion, of the Shard London Bridge development, a high-profile real-estate project in London undertaken by the Sellar Property Group. The firm has been allocating manpower to the project from both its Doha and London offices.

Evershed's Islamic finance team has been busy as well. Hussain led a team of Doha and London lawyers to advise Qatar company Almana Group on structuring a Dh300 million (\$81.7 million) *sukuk* issuance. Hussain and his Doha team also advised Barwa International in raising \$600 million to finance its overseas expansion projects. One current project for the firm is its advice to an Islamic bank on structuring a *shariah*-compliant private-equity fund, a deal worth over \$1 billion.

"I use Eversheds extensively because they're very responsive," says a client, "and they gear themselves up to meet my needs on transactions on short notice."

Another emphasises the value of Evershed's Qatari setup: "It does make a difference with somebody in the country, with somebody around the corner."

**Leading lawyers**Amjad Hussain  
Chris Jobson  
Indraj Mangat**Sayel M Daher Law Offices**

Sayel M Daher Law Offices has seen a glut of energy and project finance work in recent times, and is often found on the lender side of the deals. Christopher Tingley leads the way in this part of the practice and is well-regarded in the market.

The firm received a licence from the QFC Authority in March 2007 to practise law in the QFC, which should boost its international profile and connections.

A standout deal in May this year was the IWPP Ras Laffan C Project, worth about \$3.8 billion. Tingley and team advised the consortium, comprising Suez Energy International and Japanese partner Mitsui, on its development of the new electricity and desalination plant.

In other projects, Tingley and Sayel Daher represented the lenders on a Qatofin petrochemical project (\$700 million), the Q-Chem II petrochemicals plant (\$1.7 billion), the Ras

Laffan ethane cracker project (\$1.1 billion) and the Oryx gas-to-liquids plant (\$750 million).

#### Leading lawyers

Christopher Tingley

#### Other notable firms

**Latham & Watkins'** ambitious expansion project saw an audacious triple regional debut this year, including the establishment of a Qatar office, to capitalise on its strong links in the country. The firm garners enormous respect from peers, and clients like it too. "They've got good teams, and very good partners who are very familiar with our business, and they came on board often with very good ideas," says one. "They are so conscientious about your own affairs, so you feel comfortable with them; you develop a trust very quickly. The quality of the work they do, and their knowledge - it's really outstanding." In perhaps Qatar's largest ship financing project, the firm represented Qatar Gas Transport Company on its \$7.3 billion debt programme to fund LNG vessels.

Having also just opened an office in Doha's QFC area in March 2007, **Clyde & Co** is quickly making a name for itself. The office is headed by David Salt. "David is very good, very reliable and very patient," says one of Salt's clients. "He's used to working under the Qatar mentality."

Also established through the QFC was **WongPartnership**. The Singaporean firm boasts a strong focus on cross-border M&A and project finance deals. One such deal this year was acting for Asia Mobile Holdings, a joint venture between Qatar Telecom and ST Telemedia, in its \$200 million acquisition of a 49% interest in Shenington Investments.

When **Denton Wilde Sapte** opened its doors in Doha in September 2007, it took a number of lawyers from Patton Boggs. Clients are keeping their eyes on the firm and tracking its progress: "They're okay but obviously just don't have sufficient depth yet for me to put them much in the way of business."