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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

Tier 1

Hassan Al Khater Law Office
Latham & Watkins
Law Offices of Gebran Majdalany
Simmons & Simmons

Tier 2

A Rahman Mohamed Al-Jufairi Advocates & Legal Consultants
Adv Mohammed Al-Marri/Al Tamimi & Company
Arab Law Bureau
Denton Wilde Sapte
Eversheds
Patton Boggs
Sayel M Daher Law Offices

All around the GCC (Gulf Co-operation Council) businesses and law firms are looking to see which jurisdiction will emerge from the financial storm in the best health. Qatari lawyers are in no doubt: "Is Qatar doing better economically than surrounding countries? Just look at the GDP!" says one.

With global investors still seeking opportunities in the country, Qatar has one of the strongest growth rates in the region: "People used to look at Dubai as hip," says one lawyer, "now people are looking at Qatar because it is still a growth area." Another partner agrees: "Qatar for the next few years will be able to weather the financial downturn, a lot of plans are still in place."

Despite this optimism, the global downturn has affected the country, particularly the capital markets. "The market has changed dramatically; we had much more capital markets work before December, now that's over," says one partner.

There is some optimism however, with work still to be found in certain areas. "On the Qatari Stock Exchange there are people making investments in securities," says one partner. The biggest event of the year was the state of Qatar's \$3 billion sovereign bond offering. As well as raising capital, it is hoped the bond will bring down the cost of borrowing and stimulate the country's bond market.

In the banking sector firms have noticed that while new lending transactions are going ahead, banks are becoming much more selective in their dealings. "What we're seeing now is that banks in Qatar are still busy; they still lend a lot but it's on the banks terms," says one partner. This selectivity has also seen greater lending to the public sector at the expense of the private.

Firms have also noticed a greater demand for regulatory advice and they will be looking at this area as a potential source of work in the future. "Regulatory work is on the up in Qatar, there are no rules in regard to the local stock market at the moment."

The M&A market is still vibrant in Qatar according to one partner: "There are a lot of M&A deals; a lot of outbound deals." The domestic market is also busy, with consolidation and restructuring the order of the day. "There are a number of local companies who are going to ground," says one partner. "It's fair to say that a lot of companies were set up in the wrong way. Now they're streamlining that down."

Another source of work is the establishment of new companies, which has been helped by the government's less stringent laws on ownership. "Now in the QFC [Qatar Financial Centre] you can own 100% of your company, which is very positive," says one partner. Although this only applies in sectors identified by the government as having the greatest need, it is still a positive sign for foreign investors.

Project finance work has remained steady, however firms have seen a change in the type of new projects being done. "People are being a lot more cautious," says one partner, "there are a lot of smaller infrastructure projects such as building new roads." Larger projects are still going ahead in the power generation and water areas where delay or cancellation is not an option. "If you want to see unrest, go to Doha without air conditioning in the summer!" explains one lawyer.

Economic diversification is also creating new work. "They don't just focus on gas and related interests, they've been diversifying their economy for a while," says one project finance partner, "It's been a very co-ordinated development system because it's a very small country."

Firms are also hopeful that continued economic diversification and greater market development could create new sources of work. "The legal market is mirroring the economy," says one partner. "The market was not very developed before a few years ago, but now that's changing." Another lawyer agrees: "I think we're seeing a broad practice opportunity for firms; we're also seeing private equity being done now."

Hassan Al Khater Law Office

Hassan Al Khater Law Office remains one of the leading local firms in the market and was

described by one rival partner as "very well known and they're used by a lot of international law firms". Leading partner Hassan Al Khater is also a well respected figure. "Got the legal experience, got the local knowledge," was one rival partner's description.

The firm's largest transaction last year was the financing of the Al Wa'ab City project, a completely new community built within Doha with a value of \$1.2 billion. The firm advised the senior lenders on the deal which was closed in October 2008.

Al Faisal Holdings also called on the firm to advise over its refinancing, with lead partner Hassan Al Khater leading the team on a deal worth \$850 million.

Another highlight was the firm's work for the International Petroleum Investment Company on the establishment of a joint investment company with the Qatar Investment Authority, which closed in December 2008.

Leading lawyers

Hassan Al Khater

Latham & Watkins

Latham & Watkins is widely recognised in the market as one of the pre-eminent international firms in Qatar. "Latham & Watkins have a strong reputation in the market and have strong links with the government," says one rival partner. Another competitor agrees: "They are very adamant on making an impact in the market; they are favoured by the government."

The firm has been working in the country for over 15 years but only officially opened its Doha office in January 2008. The practice is headed by Craig Stoehr and the firm has wasted no time in expanding its on-the-ground operations with the transfer of partners Nick O'Keefe and Philipp von Randow from its Silicon Valley and Frankfurt offices, respectively.

The firm has strong historical links to the government, which were demonstrated when Latham acted for the state and the finance policy committee and the Ministry of Economy & Finance in Qatar's \$3 billion state bond offering. The bond consisted of \$2 billion in 5.15% bonds maturing in 2014 and \$1 billion 6.55% bonds maturing in 2019. This was the country's first sovereign bond offering since 2000.

In the M&A sector the firm advised the Qatar Investment Authority (QIA) as it both sold and acquired assets in the market. Closing in November 2008, the firm advised the QIA over the acquisition of a \$3.49 billion interest in Barclays, and the sale of a 25% stake in the Doha Securities Market to NYSE Euronext for \$250 million.

A clear highlight for the project finance team was a \$3.25 billion financing deal for the Ras Laffan C independent water and power project.

The firm advised both the Ras Girtas Power Company and the Qatar Electricity and Water Company over the project, which upon completion will be the largest co-generation plant in the country.

Leading lawyers

Craig Stoehr

Simmons & Simmons

The market view of Simmons & Simmons is that it is clearly a firm on the rise. "They've been fairly busy, they've made some partners," says one rival lawyer. "The type of work they do is on the rise in terms of clients." This momentum edges the firm into tier one this year.

The key figures at the firm are partners Samer Eido, who heads up the banking and finance department, and Andrew Wingfield who leads the corporate team. Wingfield in particular received glowing reviews from clients. "We have all found him to be excellent, he's one of the most impressive lawyers we have worked with in MENA (Middle East & North Africa)," says one client. "He's always available, clearly very knowledgeable of the local law and aware of the commercial demands."

A significant transaction which was closed in July 2008 saw the firm act for the Commercial Bank of Qatar on a \$900 million rights issue including a pre-emptive rights issue, a private placement and an international global depositary receipt offering.

In the area of Islamic finance Samer Eido advised the Gulf Cement Company over a \$235 million *shariah* compliant financing for the construction of a cement plant, with the financing based on *istisna'a* (contract of exchange with deferred delivery) and *ijarah* (buy and lease) structures.

A corporate team led by Andrew Wingfield is acting as local counsel to the Qatar Investment Authority (QIA) in a \$1 billion joint venture with NYSE Euronext in regard to the Doha Securities Market (now known as the Qatar Exchange).

In September 2008, Wingfield also led when the firm advised Samba Capital & Investment Management as financial advisors to Qatar First Investment Bank in regard to a \$500 million capital raising.

Leading lawyers

Samer Eido
Andrew Wingfield

Adv Mohammed Al Marri/Al Tamimi & Company

Adv Mohammed Al Marri/Al Tamimi & Company has been gradually building its team in Qatar since opening five years ago and now

has an established presence in the jurisdiction. Clients are certainly impressed with its progress: "The Qatari law is not exactly the same as it is in Europe and they have done a very good job in filling in the gaps, says one client. "They're very reliable and available which gives us a lot of confidence."

The head of the Doha office is Ahmad Anani and clients appreciate his ability to look at matters from a global perspective: "He has great credentials and experience abroad, especially in the US, so he's acquainted with our environment," says one. "He was really trying to help us."

Completed in January 2009, one of the firm's largest M&A deals in the last 12 months saw it advising Marcus Partners as counsel to NYSE Euronext in its \$250 million acquisition of an ownership stake in the Doha Securities Market (now known as the Qatar Exchange). The team also acted for Jaber Al Sulaiti and Mohammed Mansouri on the sale of \$120 million worth of shares in Doha Marine Services.

Qinvest called upon the firm to advise it over the establishment of a joint venture with Silver Leaf Capital to issue a public fund in the Qatar Financial Centre (QFC).

In project financing the team advised BMI Bank and Oryx Engineering Solutions on the \$28 million financing of an engineering solutions centre in Doha.

Eversheds

Eversheds boosted its Doha team in February 2009 with the transfer of real-estate and corporate partner Richard Birks from the firm's London office.

The banking and finance team is led by Amjad Hussain. Both Hussain and Birks were involved as the firm acted for Gulf Bridge International in its \$455 million submarine telecoms cable system project which is being developed in the Gulf, Europe and India. As well as securing the project's financing, the Eversheds team also acted on the company's private placement capital raising and offered regulatory advice.

Other private placement work saw the team advising Masraf Al Rayan, the first *shariah*-compliant investment bank in the Qatar Financial Centre (QFC), over its \$1 billion placement in September 2008.

In the banking sector Amjad Hussain and Farah Naim acted for Saudi Hollandi Bank on a SR300 million (\$80 million) *murabaha* (deferred sale) financing which was notable for its use of a non-standard structure.

The Doha team has also found itself working alongside colleagues from the firm's London office as it advises the Qatar National Bank over its debt and equity investment in the Shard of Glass development near London Bridge.

Patton Boggs

Patton Boggs suffered a blow last year after the departure of corporate partner William Cattan to fellow US firm Dewey & LeBoeuf. The firm has been working in Doha since 2003 and was the first US firm to have an office in the country.

One of the firm's biggest clients is The First Investor who the capital markets team advised on the establishment of a number of *shariah*-compliant funds. Other highlights include advising the International Bank of Qatar on a \$100 million financing deal and acting for a real-estate developer on the establishment of an investment trust.

The firm is particularly active in the telecoms sector and has advised on a successful bid for the country's second mobile license and a bid for the country's second fixed license.

Other ranked firms

The practice at Sayel M Daher Law Offices has been licensed in Qatar since 2007 and is led by Christopher Tingley. The firm is active in the project finance area – particularly in the chemical sector, where it has been advising on the lending side on the Ras Laffan C independent water and power project.

Other notable firms

Managing partner Chadia El Meouchi heads the Qatar practice of Badri & Salim El Meouchi Law Firm and the firm has a growing reputation in the market. "If you asked me to pick a local counsel I'd say El Meouchi," says one partner at an international firm. Clients were also impressed by the service. "I was happy to talk to any of the partners; they were all excellent, in particular the three managing partners," says one client.

A highlight of the firm's M&A practice last year saw it act for Exchange Holdings on the sale of Imex to the Qatar Investment Authority (QIA). The capital markets team advised an investment bank on the establishment of two *shariah*-compliant funds operating out of the Qatar Financial Centre (QFC) with a value of \$1 billion.

A notable entry into the market this year was White & Case who expanded its GCC (Gulf Co-operation Counsel) operations by opening in Doha. The firm gained permission from the QFC Authority in July 2009 to open the office, which joins its existing operations in Riyadh and Abu Dhabi.