

Qatar

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An overview of banking and financial regulations

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Qatar Financial Centre

Qatar is increasingly becoming a regional hub for business and finance. This development is reflected in the reform of various laws, notably those relating to the Doha Securities Market, the Qatar Financial Markets Authority, the restructuring of the Qatar Central Bank, and the creation and entry into force of the Qatar Financial Centre, all while offering both conventional and Islamic financial products and services.

Central Bank

The Qatar banking regulations were substantially modified by the promulgation of the Law issued by Decree 33 of 2006 relating to the Qatar Central Bank (QCB). The QCB has the task of establishing and executing the government's financial policy, managing the exchange rates, and monitoring the operations of banks and financial institutions.

Pursuant to the Decree, the QCB may ask banks operating in Qatar to maintain with the QCB a reserve fund to guarantee the various deposits, and may impose financial penalties on non-compliant banks.

Decree 33 grants the QCB the authority to approve the opening and closing of a branch or any other act affecting the form of financial institutions, or the opening of branches abroad. Reference to financial institutions in the law covers banks as well as financial institutions. The QCB issues mandatory regulations and may ask for any guarantees as may be required.

Decree 33 has created a specialized committee to look into banks' and financial institutions' violations. It has also catered for a large range of penalties for infringements by financial institutions, and established a specif-

ic mechanism to assist defaulting financial institutions and to safeguard the rights of their clients.

Stock exchange

On another note, the regulations governing the existing Doha Securities Market have been substantially amended by Law no 33 of 2005 relating to the Qatar Financial Markets Authority and the securities market. Indeed, all financial markets authorized to trade in financial instruments are subject to the provisions of Law 33, noting that financial instruments should be interpreted as defined in the Law.

The main objectives of the Financial Markets Authority are to set out the financial markets and oversee their performance; undertake studies and produce statistics on traded financial instruments; publish the relevant reports; ensure the exchange of information with other financial markets located abroad with the aim of the developing the local market; monitor trading and ensure that the rules of trading are respected by traders; license traders, intermediaries and other professionals in the trading business and oversee their activities and in general; and combat the causes of crime in the financial markets.

To this end, the Authority has powers to monitor, audit and oversee all trading, and to approve the listing of financial instruments, the conditions of trading, the price, and the conditions for removing such instruments from trading.

Pursuant to Law 33, a company known as the Company of DSM will be created to regulate investments in financial instruments; provide services for the management of the financial market, compensation, registration of operations and other permitted investments; provide assistance for brokerage and dealing; publish market-related data and establish relationships with other foreign markets. Law 33 provides also for a series of penalties, notably with respect to insider trading.

Qatar Financial Centre

Furthermore, Qatar has established the Qatar Financial Centre (QFC) by virtue of Law no 7 of 2005. The Law provides for the basic construction of the centre's buildings and establishes the QFC's Authority, Regulatory Authority, Appeals Body and Tribunal. The centre is designed to allow foreign banks, insurance companies and other financial institutions to operate in Qatar, either through a subsidiary or through a branch of the foreign entity, under the control of the QFC Regulatory Authority rather than the Central Bank. The regulations establish the legal framework, including legal and business infrastructure, for entities operating in the centre.

The regulations enacted under the QFC Law define the management, objectives, duties, functions, powers and constitution of the Regulatory Authority, which is an autonomous body that handles all the granting of licences. They also define the role and function of the QFC Authority, a commercial body.

To operate in the QFC, a firm must be registered before the centre's registration office. The applicant must demonstrate its ability to comply with the QFC's standards and requirements. Firms authorized to conduct relevant financial services activities will be supervised by the Regulatory Authority.

The Regulatory Authority can take enforcement or disciplinary action for non-compliance with applicable laws and rules, noting that such decisions may be challenged before the Appeals Body.

The regulations applicable at the QFC are continuously being developed and cover many of the banking and financial sector's main issues.

Financial and corporate

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

"Qatar is now the LNG capital of the world," declares one lawyer. Liquefied natural gas is a mainstay of the domestic economy. Qatar has the third-largest natural reserve of gas after Russia and Iran but without the political uncertainty connected with these jurisdictions. It is unsurprising that international companies are keen to get involved in Qatar through joint ventures with domestic entities and acquisitions of local production activities. By the end of 2008, one-quarter of Britain's gas will come from Qatar.

But the Qatari state is looking to diversify its economy and become a regional financial hub in the manner of Dubai. The government is investing its cash in education to create a workforce suited to such work and is reforming its laws and regulations to make the country more attractive to western companies and banks.

The government established the Qatar Financial Centre (QFC) in 2005 which has drawn high-profile names such as Deutsche Bank and Goldman Sachs into the country. The QFC's common-law system will be expanded to apply across the country and the government has reformed the Doha Securities Market to bring it up to international standards. And in July 2007 the state announced that a single regulator would be introduced to monitor the stock market and the QFC.

This combination of liberalization and proper regulation seems to be working. International companies are flooding into Qatar, and with them, international law firms. Until last year, foreign law firms could not set up without a local partner, but international firms are now able to obtain a licence to operate in their own right. The legal market is expanding rapidly as a result. The Qatari government will hope that this sudden spurt becomes a steady stream over the coming months and years.

Hassan A Al-Khater Law Office

Hassan A Al-Khater Law Office is a well established firm which has been operating in Qatar for 15 years. Despite a previous relationship with Trowers & Hamblins, the firm garners respect from the market for its own client base and expertise.

Named partner Hassan Al-Khater has an excellent reputation in the country. One peer said: "He is well known and gets involved in litigation matters."

This year the firm more than proved its worth; in October 2006 it advised on the first ever debt issuance programme in Qatar. Commercial Bank of Qatar issued a \$1.5 billion Euro medium-term note and deposit note programme; Hassan A Al-Khater Law Offices assisted the dealers.

Leading lawyers

Hassan Al-Khater

Law Offices of Gebran Majdalany

The international department at Law Offices of Gebran Majdalany has had a very busy summer this year, acting on a spate of high-value projects.

Industrial projects are part of the motor driving Qatar's economy forward. In August 2007 provided local counsel to the lenders on the financing of an \$18 billion aluminium smelter facility for Qatalum, which will be the largest aluminium plant ever built.

Qatar is also well known for its energy supplies and expertise. Qatargas 4 – a joint venture between Qatar Petroleum and Shell – required loans of more than \$4 billion. Law Offices of Gebran Majdalany again acted as local counsel to the lenders on this project, advising on the expansion and use of the facilities at Ras Laffan.

In June 2007 Edward Vink represented one of the bidders – Marubeni Corporation from Japan – and later the banks on Mesaieed A, a €2.3 billion independent power project. Vink has now left the firm, which will surely feel the loss of his expertise.

Named partner Gebran Majdalany still commands the most respect among peers, "He's got a very good reputation," said one rival, "and still puts in a full day's work despite being in his seventies."

Leading lawyers

Gebran Majdalany

Patton Boggs

Patton Boggs's Qatari outfit is "a force to be reckoned with", according to one competitor.

Energy and infrastructure lie at the heart of the firm's practice. This year the firm represented Qatar Petroleum during the structuring of shared facility arrangements between LNG projects Qatargas 3 and Qatargas 4. Energy was also at the centre of one of the firm's infrastructure deals. Patton Boggs assisted Kahramaa, Qatar's electricity and water corporation, on the €2.3 billion Mesaieed A project, which involves building a 2000MW power generator.

The firm also has substantial experience in Qatar's other main areas of commerce – real estate and Islamic finance. Patton Boggs helped Qatari Diar, a property investor, develop the \$2.5 billion Lusail project and represented Doha Islamic on the issuance of \$85 million *sukuk*s (Islamic bonds) to finance a property development in Qatar.

Peers and clients both think highly of the office. One lawyer said: "I can't single out one lawyer; they all perform pretty well."

Simmons & Simmons

Simmons & Simmons was the first international law firm to be granted a licence to practice in Qatar by the emir in 2003. Since then, it has built up a strong practice with particular expertise in energy projects.

The firm is well respected by the oil industry. In May 2007 the firm assisted Occidental Petroleum on its \$350 million acquisition of two upstream subsidiaries from Anadarko Petroleum Corporation. Stuart Cavet, who led this deal, and managing partner Andrew Wingfield are now advising Honam Petrochemical Company on its \$2.3 billion joint venture with Qatar Petroleum – the Mesaieed project.

International clients flock to take advantage of Simmons & Simmons's experience in the gulf. Honam, a Korean entity, and American-based Occidental both used the firm, as did the Spanish cement supplier Holcim Trading. Holcim engaged Samer Eido and David Salt to guide it through a \$12 million joint venture with Al Jabor Cement Industries Company in January 2007. Salt has since left the firm to help Clyde & Co open its new practice in Doha.

But Simmons & Simmons also receives mandates from gulf countries. In May 2007 the firm guided Azadea Group Holding, a regional retailer, through establishing four subsidiaries and 32 branches. The \$14 million transaction also involved buying a controlling stake in two local retailers.

Other notable firms

United Arab Emirates-based Al Tamimi works in Qatar under the name **Adv Mohammed Al-Marri in association with Al Tamimi & Company**. The firm keeps much of its work confidential but this year the firm has advised international and domestic banks on conventional and Islamic banking and on residential loans to finance Qatar's growing property market. The firm is also assisting several international bidders regarding Qatar's second mobile telecoms licence. Katrina Wilson is particularly well regarded. One rival said: "She's up there among the best and is a European-style lawyer."

Established in 1994 by Mohammed Bin Rashid Al Khalifa, **Arab Law Bureau** has what one competitor described as "a reputation as a good regional operator". The firm is well known for its project finance work.

Eversheds opened its Doha office in March 2007. The firm has been present in Qatar for a number of years thanks to a formal cooperation agreement with domestic firm **A Rahman Mohamed Al-Jufairi Advocates and Legal Consultants**. Now licensed in its own right, the firm has been involved in a flurry of banking transactions. The firm worked on a mezzanine facility to finance the acquisition of property on the Pearl, a luxury island of reclaimed land in Qatar, and advised on several \$300 million-plus syndicated loans. The firm is also qualified to practice Islamic finance. This year it assisted on a \$500 million syndicated *murabaha* facility, a *shariah* tool in which the bank buys an asset on behalf of a borrower who pays its price and an agreed profit to the bank on a deferred basis. The buying and selling parts of the transactions must be separate and distinct. The firm also advised a European bank on *shariah*-compliant instruments.

Sayel Daher Law Offices has a good name in Qatar. And the firm has lived up to this reputation and taken on some high-profile deals in recent years, acting mainly for lenders. The firm assisted the lenders on the \$1.1 billion Ras Laffan cracker project and on the \$1.7 billion Q-Chem II chemical plant.

The opening of the Qatar Financial Centre and the relaxation of regulations governing the conditions placed on foreign law firms operating in Qatar has encouraged many international firms to open a Doha office. Regional big-hitters **Clyde & Co** established an office in March 2007 and numerous smaller players are entering the market. Lebanese firm **Badri & Salim El Meouchi** set up in January 2007 while Singaporean firm **WongPartnership** moved to the country in May 2007. Established rivals are not overly concerned about this development – they see the firms as regional outposts to deal with

domestic clients and business. **Badri & Salim El Meouchi** is, however, looking to shake off this image. The firm has already advised Qatar Islamic Bank on a €200 million *mudaraba sukuk* project and is assisting Al Waab City, a real-estate project, on a €225 million preliminary *murabaha* bridge financing.