

## **QFCRA Chairman and CEO:**

### **Qatar Financial Centre (QFC) provides a Qatari Environment with an International Flavour**

**Doha – Tarek Zahnan**

**Three years and seven months had elapsed on the official launch of Qatar Financial Centre in Qatar’s capital, Doha. This financial building has been able to eliminate doubts about being merely a redundant experience of a number of financial centers projects in the GCC countries. Today, it is a substantial part of the Economic development and growth process in Qatar, and a meeting point for a wide and diversified group of financial, local, regional, and international companies.**

**“Al Iktisad Walaamal” met with Mr. Philip Thorpe, Chairman and CEO of the QFCRA, who accompanied its launch before the official opening.**

**Mr. Thorpe started the dialogue with a desire to provide a clear picture about the Qatar Financial Centre:**

“At first, it is necessary to clarify a number of points which constitute the primary framework of the QFC. The purpose of its establishment is to provide an appropriate environment for developing Qatar financial sector, and leverage Qatar work standards in accordance with the economic boom that it is witnessing, through attracting the elite regional and international financial institutions to establish and conduct their businesses from the Qatari market.”

Mr. Thorpe points out to the QFC special character and personality which distinguish it from the rest of the surrounding regional financial centers. On one hand, the QFC nature of work is in no way related to the concept of real-estate projects; the process of renting and selling office spaces for companies wishing to conduct their businesses from its location, is a routine activity and not the purpose of its establishment. On another hand, the QFC is not a free zone or the headquarters of offshore companies, yet it is a Qatari local market but with an international flavor, and it is an essential element of Qatar’s economic and financial infrastructure.”

He adds, “The QFC has its own legal structure and clear-featured regulatory rules distinct from Qatar’s local laws and systems. These rules govern the legislation and supervision of businesses of a chosen category of financial firms authorized by the QFCRA, such as investment and retail banks, insurance companies, funds and wealth management firms, brokerage offices, and securities operations.

With reference to the fact that the QFC includes a number of firms that are not subject to the QFCRA’s authorization but to the QFCA’s license in view of the non- financial nature of their business, such as accounting and audit firms, and law firms.”



**Despite the financial crisis, the number of license applications is continuing to grow**



**QFC is not a free zone or a real-estate project, rather it is a part of Qatar's financial industry**



### **Functions of Qatar Financial Centre Regulatory Authority**

**Based on this information, what are the functions of the QFCRA and what did it achieve since its launching until today? And how does the process of distribution of tasks and cooperation with the Qatar Financial Centre Authority (QFCA) go?**

“A number of tasks were and still are incumbent upon the QFCRA. Before the launch of the QFC's works, the Centre was the only legislative material available to the Authority's Board and the limited number of senior management. This law has formed the public rule pursuant to which a wide series of rules and regulations are being drafted. These rules and regulations have built an integrated understanding of the QFC, and laid down the necessary foundations for putting its business into effect, in terms of receiving and deciding about applications for authorization submitted by financial companies wishing to work under the QFC and according to its rules.

He adds: “pursuant to the strategy laid down by QFC's project owners, i.e. the supreme leadership in Doha, we had to draft a flexible and modern legislative infrastructure capable to achieve the goal of attracting the elite regional and international financial companies to establish in Qatar market. Thus, the authority studied the experience of international financial centers in London, New York, Hong Kong, Singapore, and other countries of the world. Accordingly, the Common Anglo-Saxon Law was adopted as a basis for the rules and systems to which the QFCRA authorized financial firms are subject. With respect to the role of supervision and authorization power, it was exclusively entrusted to the regulatory authority, so that the supreme supervisory body will be completely independent of the rest of the Centre's bodies and departments.”

Thorpe adds: “In consistency with the preparation of its legal structure, the QFCRA had to guarantee the continuity of the Centre through completing the process of building up a professional and specialized human body capable to put these legislations into effect and launch the businesses of the centre.”

With respect to task distribution between the QFCRA and the QFCA, Thorpe says: “I can say that the Regulatory Authority's role starts once any financial company applies for a license to conduct its business in or from Qatar Financial Centre. The Regulatory Authority is the eligible authorization body as well as the supervisory body; whereas QFCA's role is to market the Qatar Financial Centre worldwide, and illustrate its benefits and nature as an attractive international and regional financial centre capable of achieving the participants' ambitions.

He adds: “As a result, both bodies cooperate as well as complement in the process of operating the QFC and stabilizing its location as a distinguished financial platform in the region and the world.”

### **Duality of Legislation and Judicial Powers**

**Under the QFC distinguished and independent legal structure and the QFCRA legislative role, a legislative duality appears. How do you adjust between the QFC laws on one hand, and the local commercial and financial laws based on the Romano-Germanic Laws and the Civil law on the other hand?**

Thorpe says: “Adjustment and dealing with this duality lies in the complete separation between the bodies subject to these different legal systems, and between the bodies entrusted with their implication.”

“Only companies working under the Qatar Financial Centre are exclusively subject to its laws, with exclusion of the local and foreign companies existing in Qatar, pursuant to the legal texts stipulated in the QFC Emiri Law.

In addition, the Centre has its own judicial authority represented by courts entrusted with resolution of disputes that might arise as a result of the companies’ activities, or disputes between companies and clients, or between companies. These courts have the power to issue judgments and impose punishments of civil nature only such as a judgment of insolvency, payment of a fine, monetary compensation, or other civil punishments, provided that the official local Qatari authorities insure the enforcement of these judgments.”

**But what if the dispute brought before the court includes a criminal part?**

Thorpe says: “the QFC courts practice only their civil powers and refer the criminal part to local Qatari criminal courts as it falls within their jurisdiction.”



**QFC legislation is based on the Common Anglo-Saxon Law**



**QFCRA is an independent supreme supervisory body**



### **Modifying Laws and Systems**

**On the basis of the powers granted to the QFCRA, to which extent can the Regulatory Authority modify the QFC laws, rules, and regulations?**

Thorpe says: “Any modification, change, or addition related to QFC law strictly falls under the power of the legislative and executive authorities of the State of Qatar, as it is a sovereign law which process is similar to any local legislation process. However, if the matter consists of a QFC legislation stipulated in the sovereign law, it is related to the nature of this legislation. Therefore, it should then be submitted to the council of ministers for approval, and in other cases, it only needs the signature of The Minister of Finance. With respect to the rules and systems drawn up by the QFCRA, in relation to this category of laws, the authority has the power for consultation and study, and the submission of these laws to the Board for approval, in case modification or change is desired.”

### **A Single Restriction on Banks Activities**

**QFC laws permit licensed financial firms to conduct their business in the Qatari local market. However, is this permit free from any restrictions or conditions?**

Thorpe says: “It is a wide-scope permit that distinguishes the Centre from other financial centers in the region especially that there are no restrictions on the foreign equity in these firms which could be at the rate of 100%. However, every rule has its own exceptions, and the exception in this case lies in some restrictions imposed on the work of commercial banks in particular, on the basis of the principle of protecting the local market and expanding the scope of banking activities.”

He adds: “QFCRA authorized banks do not have the right to conduct retail activity in the local market, in terms of accepting deposits and providing loans and credits for individuals. This restriction came as a result of Qatar’s financial authorities’ certainty that there are enough local and foreign banks working in Qatar and capable of covering the market’s needs of retail operations in terms of deposit and finance, in addition to the authorities’ desire to develop and expand wholesale exchange activities in the Qatari local market, whether companies exchange activities, asset management, funds administration, or providing services and investment banking products.”

Thorpe points out to “the capability of commercial banks to accept individuals’ deposits from wealth owners, i.e. those who have extensive experience in financial markets and hold one million dollars of net cash assets.



### **Complete separation between local laws and QFC laws**



### **Restrictions on retail exchange**



### More companies... Despite the Crisis

**However, under this numeral and peculiar amount of companies working under QFC and authorized by QFCRA, does the authority wish to reach a specific number of companies or it leaves this decision to the elements of competition and the market?**

Thorpe answers: "Undoubtedly, the Qatari market is capable of encompassing more companies, in view of the annual growth rates recorded by the Qatari economy as a result of the state's gas production capability reaching twice its current level. The Regulatory Authority does not control the competition, yet it permits the work of financial firms with the required conditions and descriptions. However, in the normal course of events, and with the increasing number of players in the market, the competition will become more intense, which in turn will have a positive impact on the performance level and productivity of firms conducting businesses under QFC.

**What about the financial crisis impact on the financial firms' appetite to expand and establish outside their local markets. How does this reflect on the number of requests for license applications from the QFC?**

Thorpe says: "I am an advocate of the slight impact of the crisis repercussions on the region in general and the state of Qatar in particular, however; without denying the fact that we have experienced some direct or indirect effects. The termination of some international financial institutions resulted in the shutdown of companies conducting business in or from the QFC, such as the subsidiary of Lehman's Bank, and Kaupthing Bank Iceland.

He adds: "Until now, the number of license applications with the QFCA is still maintaining its usual increasing rate. However, it might witness some slowdown in the next phase, especially in view of the anticipation state occupying wholly all those working in the financial and banking sector. Nevertheless, financial firms should sooner or later start looking forward to a better place to persist, i.e. towards the Middle East including Qatar which forms a remarkable location and an appropriate environment for working with minimum risks."

### The Authority's Destiny following Integration?

**One question raises itself automatically relating to the future of QFCRA after the integration of the financial sector's regulatory and supervisory authorities in Qatar. It is a project which seems to be at its last stages.**

Thorpe answers: "In the normal course of events, completing the whole integration process will terminate QFCRA as an independent authority, to become a part of the financial regulatory authority, as it is the case for the supervisory tasks of Qatar Central Bank and Qatar Financial Markets Authority."

He adds: "The Financial Regulatory Authority will apply different effective legislations at once, i.e. the legislations of local nature and those related to the local and foreign banks working in Qatar such as brokerage companies and other financial firms, in addition to QFC's legislations and

regulatory rules. Whereas next year is expecting to witness the official launch of the Financial Regulatory Authority, the provisional phase might extend to several years until all the integration requirements are complete.”