

“We will move to a single rulebook, a level playing field”

Phillip Thorpe has been through the formation of two regulatory regimes and as head of Qatar’s free zone regulator is now revamping another

By Daniel Stanton

Having been through the traumatic experiences of helping to form the UK’s Financial Services Authority and Dubai Financial Services Authority (DFSA), the regulator of Dubai’s financial free zone, Phillip Thorpe is going through a similar process in his current role of chairman and CEO of the Qatar Financial Centre Regulatory Authority (QFCRA).

The body currently regulates firms within Qatar Financial Centre, a free zone, but work is underway to integrate the QFCRA with Qatar’s central bank and securities regulator, as well as to make some adjustments to the law of the land, including new legislation on bankruptcy proceedings.

“We will move to a single rulebook, a level playing field and no distinction between what were domestic institutions and what are now QFCRA-regulated institutions,” says Thorpe.

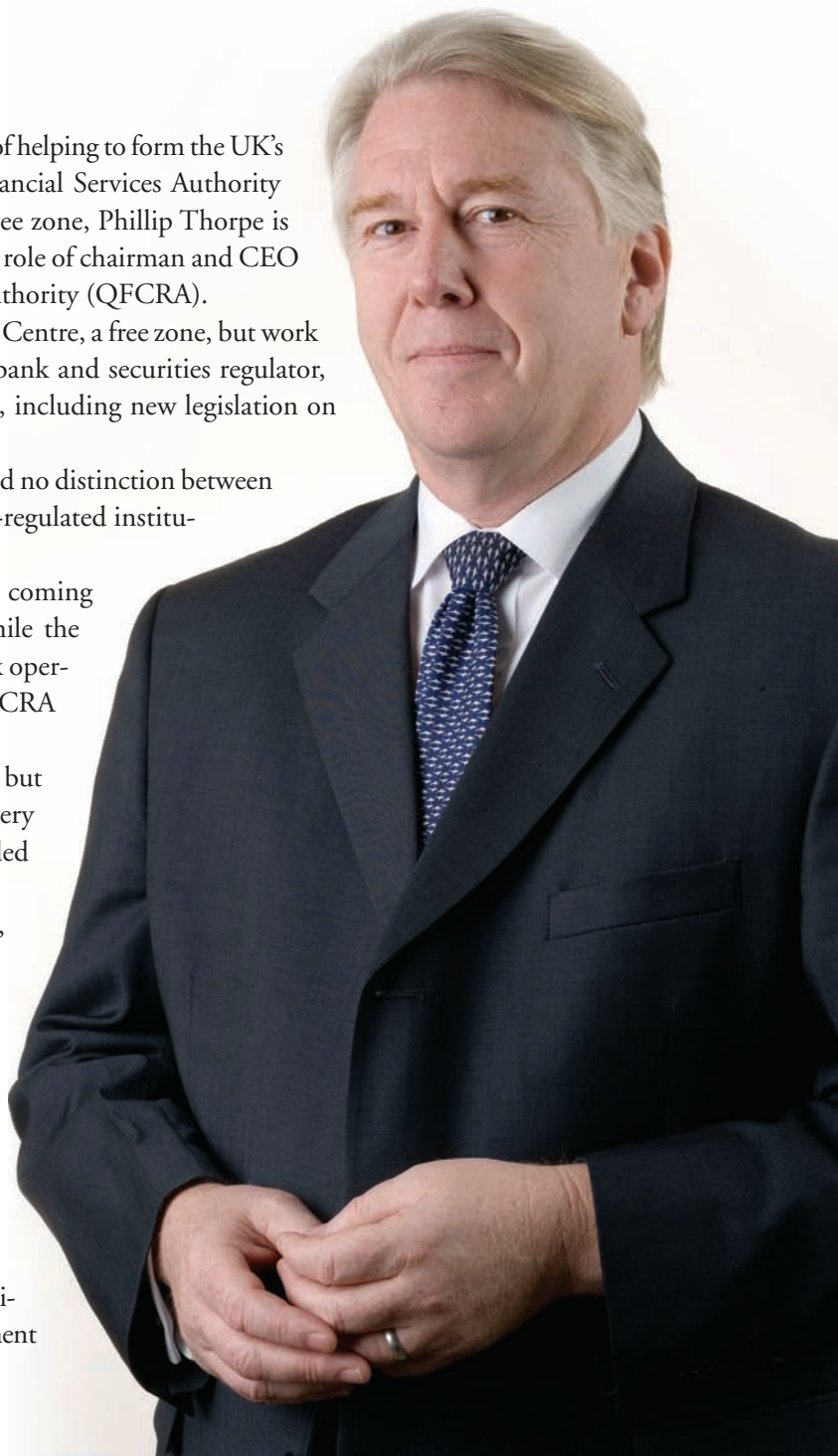
The unification of regulators will also see two cultures coming together: the central bank is largely staffed by Qataris, while the QFCRA has a mostly expatriate workforce. The central bank operates from 7 am until 2 pm and uses Arabic, while the QFCRA works from 8 am to 5 pm and uses English.

The new regulator will have rules set out in both languages, but word-for-word translation is likely to be a challenge. “It’s a very good case for principles-based regulation rather than detailed rules,” says Thorpe.

Thorpe says the merger is likely to be completed by 2010, on track with its original target. “Where we do have quite a lot of homework is in untangling and resolving missing legislation and new legislation,” he says.

Qatar has been relatively isolated from the global financial crisis, due partly to the limited size and geographical coverage of its financial institutions, its \$60 billion sovereign wealth fund and its massive reserves of liquefied natural gas.

However, as foreign funding exited the Gulf in the second half of 2008, the Qatari government was compelled to announce a \$5.3 billion fund to take equity stakes in banks in need of capital. Since many banks in Qatar have some element of government



ownership, this hardly marks a drastic change in policy. Thorpe says that the state's capacity to provide support will not necessarily make it harder for the financial regulator to demand discipline and prudence from its banks.

"I think if you look at the way governments are approaching the crisis now, moral hazard is not a term that has too much relevance now," he says. "You're confronting circumstances that simply have no parallel."

Recently, Qatar saw the closure of two subsidiaries of foreign institutions, Kaupthing Bank and Lehman Brothers, although Thorpe says these were relatively simple to deal with, since the operations were fairly new and had little business.

However, he says that there is still the potential for offshoots of multinational firms to have their own problems. "We also recognise that the Qatar end of the game is probably the one that no one is really thinking about," he says.

Thorpe says that the current global financial crisis will lead to a re-examination of how world markets are connected, and adds that there is huge concern about the security of capital.

"If I have regulatory capital in my jurisdiction, can I be sure it will be there tomorrow?" he asks. "If everyone becomes very protectionist in a regulatory sense then the call on capital is going to be significantly higher than we have seen in the past few years."

Thorpe is well-placed to compare regulatory regimes in different jurisdictions. He started his career as a barrister and solicitor in New Zealand, before taking a role with the Hong Kong Securities Commission and later being named CEO of the Hong Kong Securities Exchange in 1987. He moved to the UK, where he became CEO of the London Commodity Exchange, followed by his appointment as a managing director of the Financial Services Authority in 1997, the year of its formation.

In 2001, he moved to the US to become president of the Futures Industry Institute, a non-profit organisation that promotes industry best practices and provides education, before moving to the UAE in 2002 to help establish Dubai Financial Services Authority, the regulator of Dubai International Financial Centre (DIFC). He subsequently parted company with the

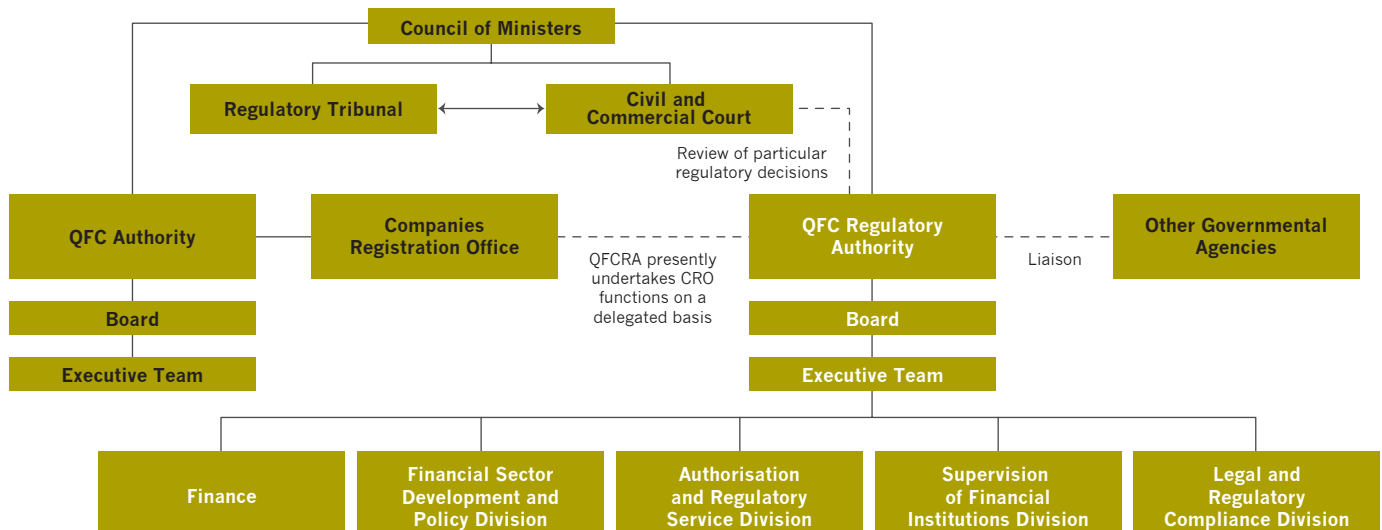
DFSA in 2004—some say his employers were unhappy that he pointed out what he perceived to be conflicts of interest in the ownership structure of the DIFC—and became chairman and CEO of the Qatar Financial Centre Regulatory Authority a year later.

He is convinced that good regulation is a major selling point to foreign financial services firms. Since Qatar faces competition from other Gulf financial centres in Bahrain, the UAE and potentially from a new free zone being developed in Saudi Arabia, it needs to show that it has international standards in place.

"If we get through with the single regulator, we will look unusual and positive for the region," says Thorpe. "There's healthy and deserved competition between [regulators in] Singapore and Hong Kong, and there are pretenders in Kuala Lumpur, Seoul and elsewhere. They all provide very good platforms in their way.

"The Middle East is not over-endowed with that, so if we can put in place a strong, reliable and trusted environment, we will see a lot of migration in this direction." **TAB**

The current QFCRA structure, which will be integrated with Qatar's other financial regulators



Source: QFCRA