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**Qatar must step up efforts to launch single regulator**

Qatar should speed up efforts to introduce a single financial regulatory regime to bolster its fledgling capital markets, according to experts.

The country should first develop a benchmark yield curve for rightly pricing debt and other financial instruments, a move that could greatly help the private sector, especially at this time of financial crisis, they said.

Developing such a benchmark yield curve would also help the country to effectively develop a corporate debt market, said Standard Chartered Senior Economist Philippe Dauba-Pantanacce.

Finding that the government has started taking initiatives in reforming its capital market, he said the move by the Qatar Central Bank to issue certificate of deposits to banks was a positive step.

He said not only it could suck out excess liquidity in the financial system, seen as a major reason for Qatar’s inflation, which is the highest in the GCC region, but also pointed towards the appetite for more instruments in the market.

The call to develop a strong debt market comes in the wake of liquidity drying up elsewhere in the region whereas it made sense in Qatar because there existed enough scope for the private sector to domestically tap the resources, a financial analyst said.

He said it was imperative for Qatar to develop its government securities market as a prelude to capital market development, whose pace was dependent on setting up of the single financial regulator.

The government is now engaged in establishing the Qatar Financial Regulatory Authority by merging the Qatar Financial Centre Regulatory Authority, Qatar Financial Market Authority and the supervisory functions of the Qatar Central Bank.

At present, there is a bit of confusion on who will oversee the government debt market and hence the authorities are waiting for the new single financial regulatory set up, a source said.

A bank economist told Gulf Times that it would be ideal that the sovereign instruments be launched after establishing the single financial regulator; otherwise there could be conflict of interests since QCB would be both the regulator as well as issuer of the instruments.

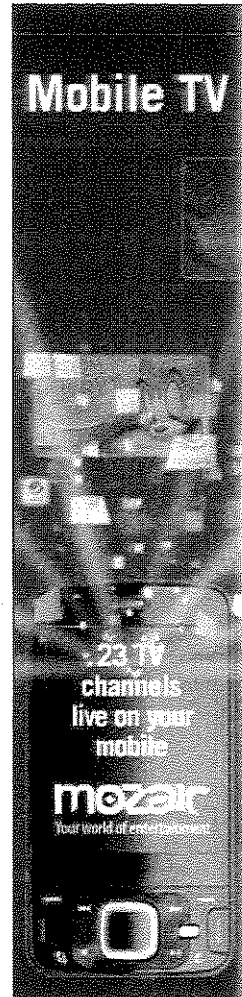
Highlighting that there was hardly any new issue in the government papers, except for the QCB’s CDs; the economist said it was imperative for the sovereign instruments to first make a big impact in the market so that a benchmark yield curve could be arrived at for developing the corporate debt.

Considering that the country’s monetary policies were rather stymied due to the fixed exchange parity with dollar, it would be ideal for the country to develop its government securities market so that it helps rightly pricing other instruments such as mortgage rates or even prime lending rates.

According to the QCB, the outstanding balance on government debt amounted to QR5bn with two issues of QR1bn and QR2bn (bearing 5% interest each) to be due this year and another QR2bn (with interest at 5.5-7.0%) due in 2010.

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