



**The interview below was published in Al Sharq newspaper in Arabic on Thursday, May 28, 2009. Below is an English translation of the interview.**

**Interview with QFCRA Chairman and CEO, Philip Thorpe,** By Hassan Abu Arafat

**How do you assess QFCRA's activity and are you satisfied with the performance achieved until now?**

If we look at what is happening in the financial markets around the world, we notice a huge amount of change for as a lot of markets have reduced in size and many people lost their jobs, as well as, it appears that the bank industry has slowed down its pace. Whereas here in Qatar, we can say that there are some good news and some that are not. The good news is that we can still see some considerable amount of growth; some applications are still being presented, firms are being established, as well as the firms that actually exist are still continuing their businesses, however, by monitoring and studying the growth statistics, it is clear that the pace of growth has relatively slowed down. We are fortunate because the growth rate is still considered a positive one, but undoubtedly, it is less than the rate of 2008. By analyzing this data, we find out that the results are expectable for as Qatar is considered the world's best performing economy. We are trying to attract international firms who are able to see the advantages of doing business in Qatar other than any place else, but there is a considerable slow down in the applications procedures, and I personally think that the general situation is not something to complain about but rather to recognize. For example, we have witnessed the previous year the establishment of around thirty institutions, however, we expect to license around twenty institutions this year, which reflects a good growth but not as much as the past two years. I can say that in comparison with other jurisdictions that are facing negative changes, the state in Qatar still represents a positive growth environment.

**How many firms have registered in the authority and began their actual activities, and what is the nature of their nationalities and specializations?**

We have until today 105 firms working under the umbrella of Qatar Financial Centre. What is really interesting is that there are two types of businesses which have emerged recently. The First is the insurance which is not surprising at all for as the State of Qatar is considered a good insurance market. We have conducted a lot of business in this area and we are now witnessing many applications for brokers, insurance and reinsurance firms. The second is asset management; there are a significant number of firms who want to manage money along with set up funds either locally or regionally. Although it is still quite early, but those two areas have been witnessing significant growth recently. The second major trend which is considered surprising in its nature but yet very pleasing is the growth in the number of Qatari and regional firms knocking on the door of Qatar Financial Centre. And in contrary to what was expected, we have now 20% of these firms which is considered a positive sign for a number of reasons; one of which is that the local firms are beginning to realize the advantages of QFC and its regulations which pave the way for them to develop their businesses locally and internationally. The other thing is that obtaining QFC license is like

obtaining a certificate which confirms the businesses of the regulated firm according to international standards; what is of great importance for those who are intending to expand their business internationally. Also, I was very pleased to welcome two Islamic banks to join QFC which were established with major capitals and big working plans, and both banks have worked hard to put in the resources to ensure that they meet our standards.

**What is the nature of the mechanisms and systems established by the authority in order to control the performance?**

That is a very good question because most people have a great trouble understanding what regulators do. Probably one of the easiest ways to understand the QFC is to imagine the existence of one country and two systems. For example, if you want to establish a bank in Qatar, you have a choice to knock on the door of Qatar Central Bank and apply for a banking license, or you can choose to knock on QFC door, and depending on which door you go through, you are subject to a different regulator. If you want to operate on the Doha Securities Market, then you need to go to Doha Securities Market. In terms of how we perform our business, the first step of procedures which can be described as demanding is to apply for conducting the desirable business, then our team requests an amount of information, meet the people who are going to be employed, check the systems that are going to be used, and understand the business plans. This information help us ensure that the applicant is able to perform its required tasks successfully without creating any harm to its customers or the reputation of Qatar. The second step begins after obtaining the license; we visit the company on a regular basis to ensure that it applies all the required procedures, as well as we request the firm to provide us with all the information to ensure that it is achieving its goals, and in case of any complaint against the firm, we go through the necessary documents to ensure that the firm has behaved properly, whereas in case the firm has conducted a bad behavior, we will take the necessary procedures to correct this situation or if necessary impose punishments. This is in short the approach that we follow. Now back to the big picture, the situation in Qatar is nowhere near as confusing as the United States for example where there are hundreds of regulators; whereas here in Qatar we have the Central Bank which regulates domestic banks, Doha Securities Market with its independent leadership, and QFC which is responsible for anyone who comes to apply for a license through the QFC door. With respect to domestic insurance, the Ministry of Business and Trade is the body which hands out certificates but does not undertake any regulation. As a result, the regulatory environment in the State of Qatar is a mix of several parts, that's why it is somewhat difficult to explain the subject of regulation to the audience in Qatar. That was one of the main reasons why the government is interested in establishing a single regulator. The difficulty of doing this is that the QFC operates through international standards, the reason why the domestic firms will face challenges to meet those standards.

**Many are wondering about the added value which is added by QFC and Qatar Economic Authority; can you please clarify this point to the audience.**

We can talk about the added value in two or three different ways. We have at QFC more than a hundred institutions established in Qatar that did not exist before; that means more products, more services, and wider business choices for the public in Qatar.

There are fiscal benefits for as these new institutions create new job opportunities, add to the economy in general and to the economic diversification. As I mentioned before, we are seeing Qatari companies entering the world of business through QFC; what helps them improve their business opportunities and pave the way for more opportunities. As it is known, all the companies in QFC deal with domestic companies; the fact which creates bigger benefits for both the domestic companies and the customers. I think that the key test lies in the public's understanding of the importance of these benefits, which I believe is the next phase of real evolution. The public wants to have the best prices, the best services, and the highest quality, and the firms licensed by QFC are operating to those high standards which in result have a positive impact on the individuals in the country and add to their rights in obtaining high quality services.

There are several financial centers in the region, how do you describe the competition between them and by which mechanism QFC compete with these centers? Is there any kind of joint coordination?

There might be some degree of competition between other financial centers, however to answer your question regarding coordination between us, the answer is simple there is no coordination with any of these centers. The main reason is that QFC was not set up to play the role of a regional center for the Middle East and the Gulf, it was established to attract new businesses into Qatar, and as I mentioned before, we cannot run a successful economy without the existence of a strong financial services sector with good products and professional experts to provide these services. All these requirements are important in order to have a modern and successful economy. QFC was established to achieve this goal in the State of Qatar. We say yes to create new local job opportunities, and yes to create a strong financial center in the State that serves Qatar. We recognize that as a result of the strength of Qatar's economy, the QFC may come through in a very strong position, whereas other jurisdictions in the region are facing problems, and by comparison, Qatar's problems are very minimal. I believe that if we continue on this path of development and building of the financial sector, people will increasingly look to Qatar as the best place to be in the region and continue doing business with confidence.

You have mentioned that there is some sort of competition between other financial centers. Do you believe that this competition is healthy?

Yes as long as it is a race to the top and not a race to the bottom. We should be aware not to make the competition drop our standards in a hope to attract more firms which would be a very bad thing to do and Qatar would not do that. But competition generally is a good thing and we do not have any issue with it. We have to remember that the economies of the countries are the source of the competition and not the financial centers in the countries. We are very fortunate in Qatar to have a very strong economy.

Under the special independent legal structure of QFC and the legislative role played by QFCRA, a legislative duality emerges for as how can you coordinate between QFC laws from one side, and the local commercial and financial laws and the "civil law" rules from the other side?

Modern financial activities require modern reliable laws. That is in particular what the modern financial activities and customers need. The problem that the government foresaw was that the laws of Qatar were not very useful when it comes to modern financial activities, and the solution was when creating the QFC to create its own legal environment, so the idea goes back to the one country and two systems, for as you have a system of laws for the QFC and a system of laws that exist in the State, and these laws are referred to in case anything occurs that requires to refer to the law or justice. With respect to how the QFC laws interact with the State laws, the answer is that they do not interact in matters related to civil or commercial laws for as QFC has laws completely separate within the State of Qatar but with a separate regime. Criminal law applies throughout Qatar including the QFC. This means that all the firms that were established under the umbrella of QFC are subject to the laws of QFC and refer to its court in case of the arise of any dispute that necessitates the referral to justice.

With the date of the opening of Qatar Law Forum approaching, can you talk to us about your role in the forum?

Qatar Law Forum will be a very special and important gathering for the global leaders in Law in the State of Qatar, in the region, and globally. We are fortunate in the QFC to have the Court and Tribunal who have some of the most leading lawyers and judges who have been working together to put the Qatar Law Form

into execution. It is worth noting that his Highness the Emir is a strong advocate of the rule of law, that's why the theme of the conference will be the rule of law and its importance, and that is what the modern financial system relies on. I believe that the strong law system is considered one of the most important factors of attraction for the State of Qatar in the future. Qatar Law Forum which will include a large number of leaders in law worldwide is a major event that the State will witness soon.

**In your point of view, how do you describe the business and investment environment in Qatar? Can you talk to us about the positives, obstacles, and opportunities in the light of the current financial crisis?**

As I mentioned before, everybody is nervous about the future. I think the winners will be those places that show consistency, confidence and predictability, and that is what we see in Qatar at the present. The government has made some important moves to stabilize the banking sector and the financial markets. The economy continues to do well, and I think the opportunity for Qatar is to keep doing what it is doing and almost by default it would be the best place to do business. At the moment people are very nervous about many other markets in the region as a result of the problems other countries are facing, however, Qatar is not facing any of these problems and is considered a reliable environment to do business, and that is the primary open chance in front of us to continue our improvement and add to our current achievements.

**What effects the financial crisis had on the authority's activities? How do you face these negative effects?**

The good news is that the effects have been very minimal, but as I said before, we are seeing some slow down in activities from the new firms. We as financial regulators see what is happening in other parts of the world and spend a lot of time watching what is happening because there may be some very valuable lessons for us to learn that we may take advantage from. If some of the changes that are happening in the United States and Europe are useful then we would want to incorporate those lessons into our procedures. We are not isolated but fortunately we are not suffering the worst of the financial crisis.

**Your speech that you gave at the 3<sup>rd</sup> Regulators Summit in Dubai can be described as strong one with relation to the real reasons behind the financial crisis that hit the world. Can you tell us more about your views regarding this subject?**

Yes I think my speech was strong in some way. The point that I was really concerned about and wanted to raise is that some of the major companies which have greatly suffered from the financial crisis were saying that the regulators should have stopped us, and they were wondering why those regulators did not catch them. I think that the problem emerged from here for as these companies have very intelligently put a lot of effort in order to avoid the financial regulation in some aspects and to make sure that the regulators and banking supervisors are not informed of what is actually going on. In view of what they did to avoid regulation, I think that their questions reflect a disingenuous approach which should not be taken into consideration. The other point I was concerned about is those who are continuously talking about people who have lost their jobs unwary of the fact that those are the people who have made millions of dollars in the past years for doing their job rather badly; therefore, I am not sure sympathy is the right response. I think we should be looking to see what they knew, and if they were aware of the consequences of their actions, and then we should be looking to see appropriate actions to be taken against them. If we do not do that, we will not learn from this experience, and we will witness the same events in the next five or ten years. I was very concerned when I was hearing very senior people saying to forget about the past and think of the future; I agree with them to think about the future, but let us look at the past and see what went wrong and make sure we do not do the same mistakes again. I think that was an important message that needed to be delivered to others.

The public are confused between Qatar Financial Markets Authority and QFCRA, what is the difference between both authorities? And what is the nature of activities that distinguish them? And to which extent the coordination between both of them is applied?

QFMA is concerned with the stock market, which is its primary role. We at QFC authorize any type of financial services, for example, Deutsche bank is authorized by QFC and undertakes securities brokerage activities but it is not a member of Doha Securities Market at the moment, therefore it is not regulated by QFMA. However, if the bank desires to operate under DSM, it should apply for a membership to them, but it can undertake its activities as a security broker in QFC.

What is the fate of the single regulatory authority? And to which point the integration project reached?

We had thought we would see more progress by now, but everyone is aware that there has been a financial crisis in the world that has caused a number of things to happen, the most important of which is that the government is busy with matters with the highest priority. While we would like to see some progress on the single regulator, we recognize at the same time that the first priority has to be ensuring the stability of the Qatari economy during this difficult time. I am confident that the government will proceed in the due course. Another thing that is considered of the same importance resulting from the financial crisis is that there are serious questions that were raised about how the financial structure works in the world and particularly how central banks operate. As we have seen in other financial markets, there have been some important questions about who bails out the financial system. Obviously, the single regulator is not the entity that would save the financial system. However, if there is a single regulator, you do have to think of the future role of the Ministry of Economy and Finance and the Central Bank; these are critical questions that need to be addressed. We recognize that in some ways creating the single regulator is the simple part of the equation. It would be useful to give more time to creating a single regulator in order to create a strong and stabilized entity.

With respect to the Qatari cadres, do they find their share of the authority's activities? How do you qualify them?

I think that this point represents one of the success stories of QFC. We are noticing greater understanding by Qatari companies, and as a result greater opportunities. Currently, Qatari cadres in QFC firms represent 20% which is a good sign and I am sure we will see this number grow in the coming period. When the QFC was established, the efforts were initially focused on attracting international firms, but we have been trying recently to spread awareness in the local community in order to attract local firms. I think that these attempts were successful giving the percentage of Qatari companies that were granted QFC licenses. With respect to the application pipeline that is submitted to QFC, we realize that there are a good amount of applications submitted by Qatari companies and other GCC companies which reflects the awareness of the society of QFC's role.

We noticed recently the emergence of QCRA's role in social participation and exchange of experiences; your activities at Qatar University for example, can you talk to us about this role?

I remember when I first arrived in the State of Qatar and met with HE Prime Minister, he wanted to see the QFC delivering benefits to Qatar. Providing new services and financial products, and jobs for Qatari nationals is some kind of the benefits provided by QFC. The other kind of benefits is bringing intellectual capital which is formed of people who are experts in their fields in order to achieve knowledge transfer to the Qatari community. QFC Regulatory Authority has a number of experts of different jurisdictions who use their knowledge to help others in Qatar, and that is considered an integral part of their tasks. The QFC Regulatory Authority was keen to attract Qatari nationals and transfer knowledge to them, for example, we

have a graduate fellowship program which provides graduates with first-hand experience working as a regulator. In addition, we have a good number of employees who give specialized speeches to the students at Qatar University on a regular basis. The objective of this approach is to create a clear understanding to the new generation in the Qatari community in order to get graduates who have the necessary information to engage in the financial regulation field. We know that Qatar University has a lot of good programs, and we are pleased that our experts are adding some practical insights to these programs.