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Progress toward a single regulator

By David Salt and Michael Earley

In 2005 the Qatar Financial Centre ("QFC") was established with the objective of attracting international financial services companies. The QFC operates to international standards and has its own set of laws, issued in English, which govern all entities licensed to operate in the QFC.

Since the establishment of the QFC, the financial services sector in Qatar has been subject to the supervision and regulation of two separate and distinct jurisdictions comprising the laws of the State of Qatar ("State") and the regulations and rules of the QFC.

In April 2011 an initial step towards the transition was announced in New York. It was declared that the regulatory functions of the QFC, the Qatar Financial Markets Authority ("QFMA") and the Qatar Central Bank ("QCB") in relation to banking, insurance, securities, asset management and other financial services would be unified under the supervision of the QCB. Although the announcement signalled that the desire for a unified regulatory was alive and well, it did not set out the way in which such a merger would take place.

On 13 March 2012 the Qatar Financial Centre Regulatory Authority ("QFCRA") announced the composition of its new Board of Directors following their appointment by the Council of Ministers. Among its members is His Excellency, Sheik Abdullah Bin Saud Al Thani, Governor of the Qatar Central Bank who will act as the new Chairman of the Board. The appointment of the governor of the QCB to the QFCRA Board of Directors is seen by some in the financial services sector as the first practical step toward the realisation of a unified regulatory body in Qatar.

The precise composition of the new regulatory body is unclear, but initially the proposed regulator would have considerable power

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to supervise all regulated financial institutions, firms and individuals. Although this may ultimately remain the goal, creating such an entity will have to overcome some unique challenges.

For example, being distinct jurisdictions the State and the QFC implement different rules for financial institutions, and in some cases take different approaches toward regulation. Employees of firms that are regulated by the QFCRA are themselves subject to considerable regulation. The same is true of some financial sectors in which the level of regulation varies considerably across jurisdictions.

The different languages used in each jurisdiction also pose an interesting issue. The official language in the State is Arabic and its laws are published in Arabic in the Official Gazette. However, the rules and regulations of the QFC are produced in English, and submissions to the QFC authorities are required to be in English, or translated into English if originally in another language.

Another question relates to the way in which each regulatory body (the QFC, the Qatar Central Bank, the Qatar Financial Markets Authority, and the Qatar Exchange) will interact with one another, although based on the information above it appear that ultimately each will report to the Qatar Central Bank.

As Qatar continues to experience rapid growth as a result of its ever increasing development, the growing demands on the financial services sector have brought into sharp relief the need for a standardised financial regulatory regime.

Note: All Qatari Laws (save for those issued by the Qatar Financial Centre (QFC) to regulate its own business) are issued in Arabic and there are no official translations, therefore for the purposes of drafting this article we have used our own translation and interpreted the same in the context of Qatari regulation and current market practice.

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