

# Financial services developments in Qatar

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*"Someone's sitting in the shade today because someone planted a tree a long time ago."*

Warren Buffett

The Qatar National Vision 2030 has as one its four pillars the *"development of a competitive and diverse economy, capable of meeting the needs of...all of its people."* As part of the unofficial competition amongst GCC members to attract inward investment and create a sustainable platform for economic growth that is less dependent on hydrocarbons, Qatar is making a concerted effort to modernise its laws and regulations to bring it in line with other developed economies. The intense focus of the world's media on Qatar due to the various sporting events being held in the country means that there has been a great deal of coverage on labour and wage laws reforms, intended to enhance the working and employment conditions of labourers. However, there have also been several less-trumpeted new laws passed which will have a profound impact on the attractiveness of Qatar to do business for foreign investors. This article considers some of these new laws and developments.

## Foreign Ownership of banks and businesses

Significant changes to the laws and regulations to enable doing business in Qatar more easily and with more transparency include the ability for foreigners to own 100% of onshore companies without the need for local sponsors. Whilst the executive regulations detailing which sectors the new rules apply to without approval have not yet been published, the simplification and reduced costs of establishing a business will be marked. Loosely connected to this is a very recent announcement by the Qatar Central Bank ("**QCB**") which permits Qatar banks to be 100% foreign-owned; this is a major change which leads to the interesting possibility of a major Qatar bank being taken over by an international rival. There have been a number of mergers between banks in Qatar as the market consolidates (most recently between Masraf Al Rayan and Al Khaliji Bank), so it will be fascinating to see if the entire financial services sector could be shaken up by external investment.

## Payment Services Regulations

Other legal developments include the newly published payment services regulations, with the stated objective of providing *"a framework for the regulation and oversight of persons or entities providing payment services within or from Qatar to ensure that all payment and settlement systems operating in the country are safe, secure, and efficient."* This aligns with a more proactive approach from both the QCB and the Qatar Financial Centre ("**QFC**") to intervene and regulate areas that previously were not explicitly legislated for. The payment services regulations introduce new concepts to the banking and financial industry in Qatar as the QCB has broadened its scope of supervision to include payment service providers ("**PSPs**") and now regulates those products provided by PSPs in or from Qatar. The regulations apply to:

1. E-money issuance;
2. merchant acquiring services;
3. local fund transfer services; and

4. other regulated payment services such as the provision of a payment portal, the provision of settlement services to PSPs and owning or operating ATMs.

The regulations also include detailed provisions relating to the licensing and operational requirements of PSPs. These include requirements about corporate governance, corporate structure and capital requirements, performance and implementation security, risk management, AML/CFT/KYC requirements, outsourcing and licensing fees. The impact of the regulations could be profound, as many payment service providers which operated in Qatar without a licence might now fall within its ambit.

One of the key elements of the payment service regulations, reflecting a general focus across all parts of government in Qatar and the QFC, is on AML/CFT/KYC. Qatar is subject to the FATF country review in 2022, and there has been very visible tightening of the AML regime. The QCB and QFC are taking a more robust approach to AML issues, intervening on a granular, bank customer by bank customer basis to identify higher risk connections and transactions and taking appropriate action. The more aggressive AML/CFT/KYC approach underpins financial services regulations in a visible and concerted manner, aiming to bring the country in line with international best practice. The financial services sector is most directly impacted by this, as Qatar looks to hold its banks to the highest standards.

## **Fintech**

The QCB has also established a National Fintech Strategy that provides guidelines for new projects and enables them to establish operations in Qatar whilst working with international companies. In addition, Qatar has launched its Qatar Fintech Hub that runs incubator and accelerator programs in which Fintech start-ups can participate to test their prototypes or payments solutions and launch them in the market following requisite approvals from the Qatar Central Bank. Qatar aims to hold a cash-less FIFA World Cup in 2022.

## **Movable Assets Security Law**

Another significant development in Qatar legislation is the new moveable assets security law. Whilst a little behind some other countries in the region in introducing the ability to take effective, registerable security over moveable assets such as receivables and bank account balances, it will transform the way deals are structured in Qatar, removing the need for cumbersome ministry-based completion processes. Self-help remedies and expedited court hearings also form part of the new regime. The enabling regulations have not yet been published, but a publicly-searchable security register will be created which will give priority to the security holder. Whilst not by itself a particularly novel innovation, its adoption will make quite a difference to the ease of offering credit to Qatar-based entities.

## **Establishment of the Investment and Commerce Court**

Further reflecting Qatar's desire to be seen as more creditor-friendly, the Investment and Commerce Court has very recently been announced. Intended to markedly shorten the time courts cases can take to be heard and ruled upon, the new court promises to make Qatar a more business-friendly legal environment, and will hopefully avoid cases being bogged down in courts for years.

# Looking Ahead

The financial services industry is of vital importance to the Qatar economy, and the government is pushing hard to make it a regional financial hub. Some of its banks are genuinely market-leaders in innovation and the implementation of new technologies, and there is a palpable commitment to helping the sector flourish. Whilst the eyes of the world are going to be on Qatar in 2022 due to the FIFA World Cup, the government of Qatar is working hard to ensure that it still remains of interest and relevance for 2023 and beyond as a place to invest and do business. The financial services sector is at the forefront of these efforts.

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