

## Interview:

### Discussion Points for An Interview With H.E. Sheikh Abdullah Bin Saud Governor of the Qatar Central bank :

#### -The New York Times and [www.nytimes.com /global](http://www.nytimes.com/global)

**Q1:** Discuss Qatar economic program. What are the government's main priorities for the 2007/08 budget? Given that spending plans are often accompanied by inflation, what steps is your government to combat inflation?

The government is investing to manage the pace of growth and to address infrastructure bottlenecks and improve education and health care. In the next five years, the government is leading an investment program estimated at \$130 billion to develop energy, infrastructure, industries, utilities and aviation. Qatar's government is also committed to creating a vibrant and active private sector. This, in turn, is expected to create job opportunities for the national workforce. Efforts in this area include the government's push to position Qatar as a hub for major sports and energy events, thus laying the foundation for significant private sector investments in the tourism industry.

Investments to promote economic diversification have also been a strategic priority. The financial sector has been identified as key to attracting more private investments. A government initiative to set up the Qatar Financial Centre (QFC) was an important step in that direction. QFC's mandate was to attract world-class financial institutions, though was not restricted to offshore banking or to non-Qatari Riyal activity. As a result, Qatar now operates with its existing institutions and new ones from within the QFC able to access the non-retail market.

Qatar's wealth lies in its vast natural gas resources, equivalent to 15% of proved world reserves. Massive investments in the gas sector and a rapid expansion in gas exports have boosted the economy over the last five years. Qatar exported 30 million tons of LNG in 2007 double that of 2003, making it the largest exporter of LNG in the world. Dry gas, which so far has mainly fed local industry, is also emerging as a new foreign exchange earner as the first shipments make their way to the UAE through the Dolphin pipeline. Gas production through the gas-to-liquids (GTL) process is also expected to take off this year, providing an option to convert gas into environment-friendly, high-value fuels at higher returns.

About the details of the 2007-2008 budget, you should contact Ministry of Finance, but concerning the governmental efforts to combat the inflation, Qatar government is considering subsidizing some basic food items to provide relief for consumers, hit by sharply rising food prices. A study is being carried out by the Higher Committee, which has been set up with a remit to combat inflation, to identify the food items as well as some basic building materials that could be earmarked for subsidy. Qatar's CPI inflation accelerated to 13.7% y/y in Q3/07 from 12.8% in Q2/07 and 12.3% y/y in Q3/06. The main drivers of the inflation were rising prices of rents, fuel and energy charges, which surged by 28.8% y/y in Q3/07, accelerating from 26.7% y/y in Q2/07. Accelerating consumer inflation was mainly due to local factors, including very strong economic growth, an upswing in construction activities and strong population growth boosting domestic demand as well as external factors such as the weak USD. Meanwhile QCB is considering to issue a package of CD's and Treasury bonds and notes in order to absorb the excess money in the banking system.

**Q2:** Share your insights into the rapid of the Qatari banking industry. What are the long term prospects for the expansion of Qatari banks? How would you describe the international outlook of

your country's bank?

The aggregated balance sheet of all banks licensed by QCB to operate in Qatar continued to grow at high rates for the sixth consecutive year; influenced by the economic growth. Total assets realized an increase of 47.1% to reach \$ 76.7 bn compared with \$ 52.2 bn in the previous year. Customers deposits increased by 31.5% to reach \$43.5 bn by the end of 2007 compared to \$3.3 bn in 2006.

Banks' equity and shareholders increased considerably by 52.5% to reach about \$ 10 bn by the end of 2007. Qatari banks have their plan to expand domestically and abroad and they are doing well in this field, but as an emerging country, our way to the internationalism is still far ahead.

**Q3:** How is QCB monitoring the banking sector? What have been the major changes in the last years? How is QCB Promoting Financial Stability nationally and on the international Scene for Potential investors?

The Qatar Central Bank adopts a prudent and corrective supervision policy that aims to promote stability and soundness of the banking system by adopting the latest offsite and onsite supervision standards.

The term "**CRAFTE**" reflects the supervision standards, upon which QCB bases its supervision policy. It stands for:

**C**orporate Governance

**R**isk Management

**A**ssets Quality

**F**inancial Leverage and Capital Liquidity Management

**T**ransparency

**E**arnings and Performance

All banks and other financial institutions operating in Qatar are subject to the supervision and control of QCB through onsite and offsite supervision procedures in accordance with international supervision standards as summarized below:

**1. Offsite Supervision:**

The offsite supervision staff at QCB is provided with financial statements and periodical reports on banks and other financial institutions performances in order to; evaluate, estimate, and analyze risks associated with their conducts and performances. It also deals with violations of supervision regulations and exceeding ratios and limits set by QCB, and takes necessary corrective measures.

**2. Onsite Supervision:**

QCB's inspectors pay onsite visits to banks and financial institutions, aiming at inspecting the accuracy of financial data and periodical reports submitted to QCB. Necessary corrective measures and procedures are taken in case violations or breaches of supervision regulations are detected. The periodicity of onsite visits by QCB supervisors differs from financial institution to another depending on their risk rating.

**3. Supervision Affairs and Support:**

QCB's supervision affairs and support staff conduct studies related to banking risks and new development in this field, and upon which they make recommendations to develop QCB supervision policy. The staff also reviews, analyzes, and conducts feasibility studies of applications for licensing, document keeping, and other related banking affairs.

**Q4:** Reflect on the Strengthening Economic relationship between Qatar and the United State. How can US Companies become more active in developing your country's bank industry?

Qatar and USA economic relationship is very strong in many fields namely the oil & gas sector and the LNG projects. Exxon/Mobil is doing a leading role in formulating the LNG industry in

Qatar. The industrial sector also is witnessing an active participation of the US companies especially in the field of petrochemicals. The US export to Qatar in 2006 was \$ 21.5 bn, about two doubles the number of 2004. City bank had a branch in Qatar in the seventies of the last century and has returned back to Qatar under the umbrella of QFC.

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## **Wall Street Journal**

1- What are the main tasks and responsibilities now and in the future for Qatar Central Bank?

According to the article (5) of the law No"33" of the year 2006 , QCB shall lay out and enforce the state monetary policy, exchange rate policy and financial banking supervision to achieve the government economic goals. thus main QCB tasks are the following :

- Issuance of the currency and organization of its circulation.
- Grant license for financial and representation bureaus and supervise and control it subject to the provision of this law.
- Establishment of the system which leads to the stability and organization of the banking system and increasing its competence and contributes in its development.
- Draw and implement monetary policy.
- Establish, administer and develop supporting central banking services system e.g., payment system, clearance, credit centers and others.
- Notify the Council of Ministers of any factor which may endanger financial or banking stability and propose the related policies.
- Supervise and control investment funds and payment and clearance system, and organize the issuance of fixed proceeds securities.
- Supervise and control pension funds and anti money laundering in accordance with the law or as authorized by the state.
- Collect and publish the statistics connected with its role and functions.

In the near future, a single regulatory body will be established and will take care of the entire banking and financial system in Qatar.

2- Looking at 2007 and 2008, what major milestones have been achieved under your leadership of the QCB?

QCB has achieved a lot of tasks that could be considered as a major milestones in 2007 such as:

- 1- Participating in a team work to pave the way for establishing the single regulatory body.
- 2- Preparing and issuing of the governance guide for the financial institution.
- 3- Studying and preparing the necessary steps to establish the Credit Bureau and to implement Deposit Insurance scheme.
- 4- Participating with other GCC central Banks in several committees to achieve the Gulf Monetary Union.
- 5- Issuance of the certificate of deposits CD's as a new tool of the monetary policy.

3- What major projects are currently under way? How are you making sure these projects will be executed qualitatively and on time?

Three of the above mentioned projects are still under way mainly the GCC Monetary Union, the Credit Bureau and the Deposit Insurance scheme. Besides that, QCB negotiates with GCC Central Banks to establish a new payment system within the GCC countries.

To assure the executing of these projects, we depend mostly on the ability and the efficiency of our staff and in some cases we use the expertise of the specialized intentional institutions.

4- What major challenges do you foresee for Qatar while trying to reach its goals? And of course what role QCB plays in handling these?

Qatar has adopted a new strategy to diversify the national income through launching sophisticated health and high education services and establishing gas intensified usage industry. Achieving these goals in a relatively short period of time has produced high rate of inflation. QCB is working hard to contain the escalation of the inflation in Qatar through the monetary tools and is cooperating with other government authorities to correct the imbalances of domestic demand and supply.

5- How are the current oil prices, inflation and enormous growth of region affecting Qatar? And how is it affecting QCB as important part of the state?

As you know, a high oil price has produced a large public revenue, and this has helped in maintaining the public budget in huge surpluses year by year. Qatar has invested hundred billions of Qatari Riyal to modernize the domestic infrastructure, and has spread a major part of its investment abroad.

Meanwhile QCB has increased its foreign reserves notably in the previous two years.

6- How is QCB dealing with the ongoing thoughts about de-pegging away from the US dollar?

In the time being, QCB has stuck to the policy of pegging Riyal to the Dollar due to several factors:

First: De- pegging away from the US dollar will have a big cost.

Second: It will undermine the stability of the exchange rate regime.

Third: it will partially solve the inflation problem since most of the inflation in Qatar is due to domestic factors.

7- What are the major investment incentives and opportunities for foreign investors to invest in finance- related business in Qatar? Why should foreign investors come to Qatar and why should they do so now?

The main incentives for foreign investors to invest in finance- related business in Qatar is the low tax profile, the financial stability, the exchange rate stability, the high profitability and the high rate of economic growth.

8- How important is the private sector for achieving Qatar Central Bank's goals and who within this private sector truly shows the best Qatar has offer now, which our international readers will show interest?

In the banking sector, all the local banks except QNB belong to the private sector. QNB is semi Government bank as the private sector owns six of its shares. All our banks are doing well, and their financial performance the last five years reveals their high profitability. They are largely committed to the international standards of soundness and stability.