

**The Banking and Financial  
System in the State of Qatar,  
2002**

Qatar Central Bank  
Department of Economic Policies  
[www.qcb.gov.qa](http://www.qcb.gov.qa)

## **Preface**

In view of the significance of financial and banking data to researchers and people interested in the Qatari economy, Qatar Central Bank has made it one of its priorities to publish this new issue of the periodical series of reports about the financial and banking system in the State of Qatar.

This issue complements the issues that have been previously published by the Central Bank of Qatar. The first of these reports was in 1985 and dealt with the financial and banking activities in the State of Qatar since its independence.

This was followed by another report in 1992, which addressed the development that took place in the 1980s. The present report sheds light on the major developments that the financial and banking system in the State of Qatar witnessed during the 1990s. This period showed significant changes and improvements in the economic sphere. The national income doubled during this period and the State of Qatar entered the era of exporting liquefied gas for the first time and the production of crude oil doubled also. As a result, the financial and banking system greatly expanded, both horizontally and vertically. In this period, financial and banking activities diversified and the Doha Securities Market was established.

Qatar Central Bank shows great interest in publishing more reports and studies in the future in order to meet the needs of the financial and banking institutions inside and outside the country and hopes that this issue attends to these needs as well.

***Abdulla Bin Khalid Al-Attiya***

*Governor*

## **Introduction**

This report is one of the few studies that deal with the financial and banking system in the State of Qatar and its improvement in the 1990s. This report consists of seven chapters. The first chapter explains the historical development of the financial and banking system in Qatar. The second chapter addresses the components of this system highlighting the relative importance of each of its branches. Chapter three is devoted to describe Qatar Central Bank (Qatar Monetary Agency Previously) The fourth chapter reviews the conditions of commercial banks and chapter five addresses the conditions of local money exchange companies. Chapter six describes insurance companies currently Operating in the country. The report concludes with a brief account on the Doha Securities Market since its establishment in 1997 up to 2000.

Qatar Central Bank hopes that researchers and people concerned find in the contents of this report what is beneficial to them in their work or research and hopes that this contributes to the development and prosperity of the country.

***Fahad Bin Faisal Al-Thani***

*Deputy Governor*

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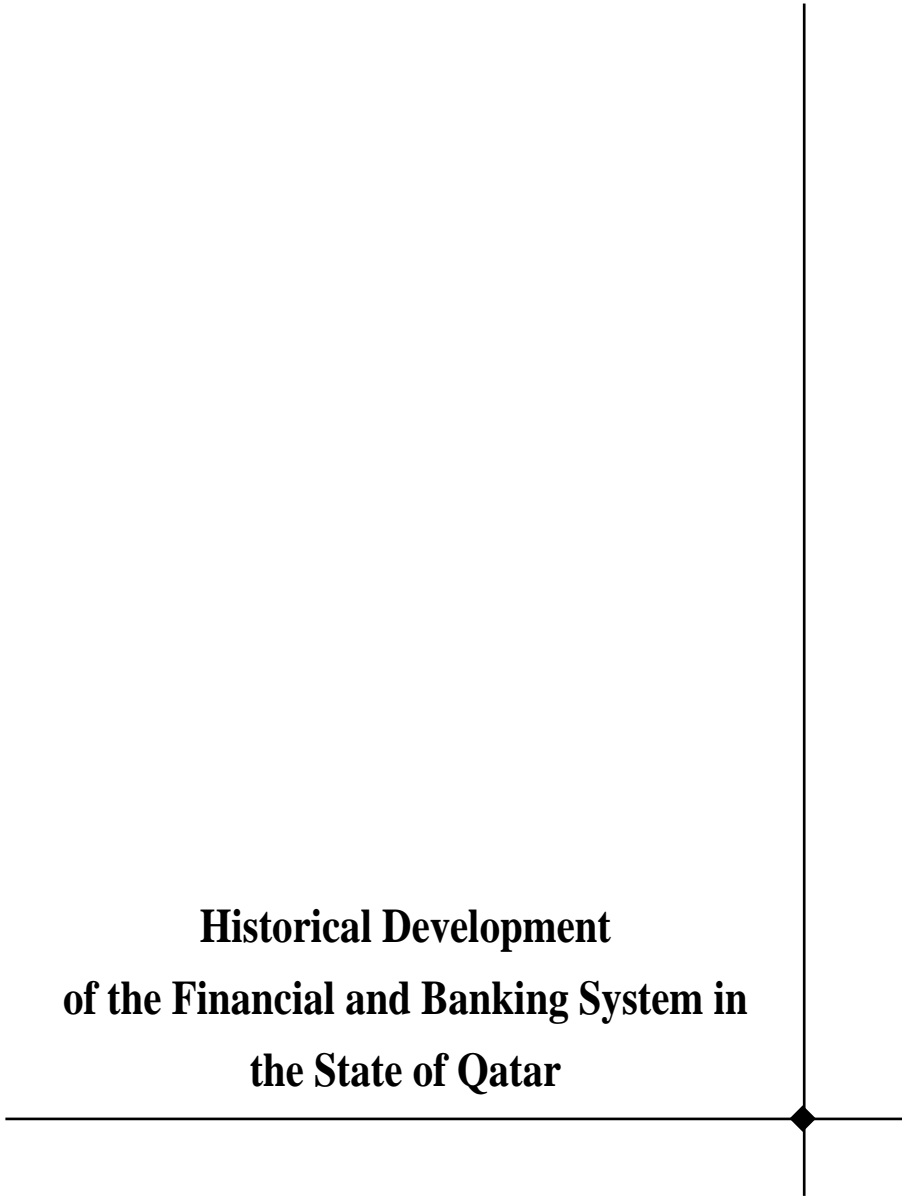
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**Historical Development  
of the Financial and Banking System in  
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## **Historical Development of the Financial and Banking System in the State of Qatar**

### **First Stage: Before Independence, Pre-1971:**

The financial and banking system was greatly influenced by the political and economic circumstances that prevailed in the country in the second half of the 20th century; especially, that of being under the British dominion until 1971 and the commencement of oil export in 1949. A number of important consequences resulted from these two issues:

1. The currencies that were in use were those of the Sterling area; such as, the Indian rupee and the Gulf rupee until the Qatari and Dubai riyal were introduced in late 1966.
2. The British commercial banks were the first to carry out banking business in the country. In 1950 the Eastern Bank was established as a branch of the British Chartered Bank just a few months after the first oil export. It was the only bank in Qatar at that time and hence it was assigned the duty of acting as the government bank. As the oil production increased in the 1950s, new banks were introduced to the country. For example, a branch of the British Bank of the Middle East was established in 1954 and the Ottoman Bank (Grindlays Bank) in 1965.
3. In 1957 a branch for the Arab Bank of Jordan was founded to be the first Arab bank in Qatar. Followed by a branch of Intra Bank of Lebanon in 1960 (Mashreq Bank later on until it was liquidated in 1990). The number of banks in Qatar reached five and the situation remained the same until 1965 when the efforts exercised came to a success by the establishment of the Qatar National Bank with a capital of nine million Indian



rupees. The shares were equally divided between the government and the private sector. This bank took over the duty as the government bank from the Eastern Bank.

4. In 1970, three more branches of foreign banks joined the banking system in Qatar. These were: United Bank of Pakistan, Iran Exports Bank and the American City Bank. The total number of banks operating in the country before independence was nine banks. One of these banks was Qatari, two were Arabs and six were foreigners.
5. Money exchange activities like buying and selling of foreign currencies developed gradually from its rather primitive stages. This became evident when a jewelry shop was established to function as a specialized money exchange company in Qatar in 1955. This shop continued to serve as the only money exchange shop until 1969 when another money exchange company was established and a third was also established in 1970.
6. Insurance companies did not exist in Qatar before 1963 when the need for such companies was felt and as a response this need, Qatar Insurance Company was established as the first company specializing in this field. The company started its activities in 1964. In 1966 three Arab and foreign insurance companies were established. These were: Arab Insurance Limited, Lebanese- Swiss Insurance Company and Atlas Company. In 1969 the Egyptian National Insurance Company established a branch in Qatar and the number increased to reach five companies before the independence. Among these there was only one Qatari company.

### **The Second Stage From 1972 - 1992:**

After Qatar attained independence from Britain in September 1971, Qatar began to witness crucial changes both internally and externally. Qatar joined the International Monetary Fund on September 8th 1972 and World Bank for Construction in the same year.

Internally, the Ministry of Finance and Petroleum approved the Agreement of the Society of Commercial Banks operating in Qatar which aimed to organize bank activities in Qatar particularly issues related to interest rates. The most prominent development at that early stage was the issuing of Law Number (7) of the year 1973 regarding the establishment of Qatar Monetary Agency (QMA) to take the responsibility of a Central Bank. The most notable of these responsibilities was that of issuing the currency and organizing this in accordance with the prerequisites of the economic activity and to maintain its stability and conversion to other foreign currencies. In addition to that, QMA was aimed to supervise the banking system and monitor domestic credit system. QMA was managed for the first twenty years by a general director under the supervision of the minister of finance and petroleum. In view of these changes, the Qatari and Dubai riyal was withdrawn and replaced by the Qatari riyal with the same gold value of the previous currency: 0.186621 gram of gold. The Agency, since its establishment followed various strategies related to the exchange rate pegs of the Qatari riyal in order to maintain its stability. Decree No. 72 of the year 1974 was issued to peg the Qatari riyal with the dollar, as was the case with the Qatari and Dubai riyal. In 1975 Decree No. 60 proposed a fixed rate for the riyal at 0.21 of the special drawing rights or what is equivalent to 4.7619 riyals per

unit. The exchange rate of the Qatari riyal against the dollar was to be determined by the value of the special drawing rights as specified by International Monetary Fund. Beginning with 1976, the dollar started to depreciate against other major currencies and hence, QMA increased the value of the riyal several times against the dollar until it reached 3.64 riyals per dollar in 1980. However, QMA maintained the peg at 3.64 riyals / dollars after the appreciation of the dollar in 1981.

QMA followed a fixed interest rate policy in which the rates remained stable during the period from 1979 to 1990, between 5-7% for long term deposits, and 7 - 9.5% for credit facilitations. Due to the peg of the Qatari riyal with the dollar, the changes in the interest rates on the dollar forced QMA in 1990 to follow a flexible interest rate policy to cope with the local and international economic circumstances.

With regard to required reserve, QMA requested banks operating in the country to keep a required reserve of 1.5% of the total amount of saving and time deposits in riyals, 4.5% of the demand deposits in riyals, 5% of demand deposits in foreign currency and 3.5% of saving and time deposits in those currencies. This system continued in practice until 1994.

Independence led to a remarkable increase in the number of banks operating in Qatar. In October 1970 the Oman Bank Limited of Emirates (now AL Mashreq Bank) was established and in July 1973 Pariba Bank of France was also established. In the period which followed the first oil shock in 1973 and the outcomes of it in the form of dramatic increase in revenues and government expenditures, there existed an urgent need to increase the number of banks operating in Qatar. As a response

to this need, Qatar Commercial Bank was established in 1975 and Doha Bank Limited was also established in 1979. As the idea of Islamic banks came to existence and this coincided with the second oil price shock in the years 1980 and 1981 and what followed these years of faster pace of economic growth, the national banking base expanded and two national banks were established. These were the Qatar Islamic Bank, which was established in 1983 and Al-Ahli Bank of Qatar, which was founded in 1984.

With the deterioration of oil prices in 1986 and the decrease of oil production in Qatar, the country entered a stage of extensive revision which reflected on the banking system. This period did not witness any establishment of new banks except one bank which was the International Islamic Bank in 1991. City Bank closed its branch in Doha in 1987 and the amount of deposits in banks at that time was far much less than it was before. The period also witnessed some sudden problems like the closing down of Al-Mashreq Bank of Lebanon in 1990 due to problems of mismanagement in its headquarters in Beirut. Certain local banks found themselves involved to some extent in the crisis of the Commercial and Credit Bank. A committee was formed to study the banking situation in the country. This committee took the responsibility of legislating a new law that ensures safety and stability in the banking system and accounts for the many loopholes in the old law and also avoid the shortcomings. The outcome of this committee was the appointment of The governor and deputy governor for QMA in 1992.

In the post-independence era a great expansion in the money

exchange business took place. Ten money exchange companies were established in the period between 1972 -1982. In 1982, QMA issued Law No (4) regulating the profession of money exchange in the State of Qatar, delineating conditions of the business rulings related to obtaining licenses and controlling the procedures of the business. After this law only one money exchange company was licensed to conduct business in 1983.

With respect to insurance companies, two new Qatari companies were established in 1978. The first of these two companies was the Qatari General Company for Insurance and Reinsurance and the second was Gulf Insurance Company. The number of insurance companies reached seven company three of which were Qatari companies.

### **The Third Stage: 1993 -2000**

In 1993 the Emiri Decree of Law (15) of the year 1993 was issued to establish Qatar Central Bank (QCB) to replace the QMA and the law granted QCB authorities over of issuing currency and acting as a state bank and the bank of the banks operating in the country. This is in addition to its main duty of conducting monetary policy. By the end of 1995 QCB's assets was increased to reach 500 million riyals.

It can be noticed that in this period the number of banks remained the same despite the fact that the banks expanded vertically by opening many branches, which reached 81 branches in the year 2000. This is in addition to 14 representative offices. Grandlays Bank became a mixed bank, as the Qataris owned 40% of the foreign company's assets. In this period the assets and liabilities of banks doubled also to reach 48 billion riyals in comparison to 25.40 billion riyals in 1993.

Commercial banks worked hard to improve their banking methods and business techniques to echo global development in the art of banking business. ATMs spread in many places in the country and a national network called NAPS connected these machines together and later on, this national network was connected to similar Gulf networks in Bahrain, Emirates, Kuwait and Saudi Arabia. Banks also improved their retail banking services and introduced telephone and online services.

In 1997, Qatar Bank for Industrial Development was established with a shared capital between the Qatari government and banks and companies of the private sector to offer feasible loans to assist light and medium size industries.

In this period, Qatar Central Bank played a more prominent role in supervising and monitoring banks and money exchange companies and in conducting the monetary policy. As to the role of supervision, QCB issued hundreds of regulations obligating banks to abide by specific directives in their work to ensure the soundness of financial system; particularly, in the period immediately followed the financial crisis of East Asia. As far as the monetary policy is concerned QCB followed a gradual approach since 1995 resulted within few years in total freedom of interest rates on deposits and loans on Qatari riyals.

In the year 2000, Qatar Central Bank carried out a process of issuing the first government debentures (bonds) for medium term (3 years) in Qatari riyals within the banking system in Qatar. This mandated the assigning of the responsibilities of public debt to the department of banking and issuing affairs which has come to be known now as the department of public debt, banking and issuing affairs.

Qatar Central Bank established The Banking Training Institute in order to provide training programs for employees in the banking sector in Qatar.

The number of insurance companies operating in the State of Qatar increased to eight companies by the addition of the Islamic Insurance Company. The number of money exchange companies; also, increased to reach 16 companies. Some of the old companies withdrew from the business ;while, new companies joined the profession. This period also witness the proliferation of private investment companies working in the area of currency and financing speculation. In response to this new growing business Qatar Central Bank since 1997 enforced regulations and directives to organize, supervise and monitor these companies. Thus this period witness the issuing of Law (15) of the year 1997 on organizing the activities of investment companies, and Law (16) on organizing the activities of financing companies. In 1999 the Bank embarked on a media campaign against the investment companies operating without the Bank's permission. The bank also warned these companies to closed down their current illegal practices and start afresh by obtaining a license from the Central Bank to start business.

**The Banking  
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the State  
of Qatar,**

**The Structure of  
the Financial and Banking System**



### **The Structure of the Financial and Banking System:**

The Qatari economy has witnessed a great deal of improvement in various economic and social fields within the last ten years. This was supported by the government policies, concerned with free economy that depends on the market forces. This is an evident in the economic map of the country which is responsive to international economic development and attend to the benefits of the Qatari economic. That can be noticed from the improvement that has been achieved by the banking and financial system which can be described as being responsive and sensitive to the achievements obtained by the Qatari economy at the level of the overall economic changes.

By looking at the development process of the Qatari economy, especially in the last decade, and at the positive average improvement in all aspects in spite of some negative intervals, that resulted from external reasons and which created obstacles for the achievements of some planned goals, we can see that policy makers were able to neutralize all those effects on the economy. They also managed to minimize their intensity on other occasions. They were able to do that because they followed an appropriate policy that feeds into the benefits of the Qatari economy and the the Qatari citizen, who actually constitutes the corner stone of the Qatari economy.

As far as the total national production is concerned, it achieved a great deal of improvement in the last decade in spite of external changes that were sometimes not favorable; especially, those related to global oil prices. The Gross Domestic Production increased from 25.1 billion riyals in 1991 to 59.9 billion riyals in

2000 with an average increase of 139%, or 34.8 billion riyals for the last ten years. The average annual increase in the GDP for the last decade was between 9.2% the lowest level in 1998 and 34.9%, which was the highest average increase in the year 2000. The average inflation for the last ten years was between -0.9% in 1993 and 7.2% in 1996. then it dropped to 1.7% in 2000, compared to an increase rate of GDP in the same year, which reached 34.9%.

With regard to general finance, the government expenditure increased during the last decade. The expenditure increase was of 7.1 billion riyals from 1991 to 2000, with an average increase of 60%, whereas the deficit of the general budget compared to the GDP was 5.6% in 1991, and it reached 7.3% in 2000.

These developments echoed the development of the external sector. The level of openness to the world rose from 71.6% in 1991 to 88.3% at the end of the last decade due to substantial improvement in economic activities. This increase in the external economic activities deemed it mandatory for the banking and financial system to improve and accustom to such improvements. The number of banks reached 15 in 2000. Two of these operate according to the Islamic laws and one of them is a specialized industrial bank. The branches networks rose to 81 branches and offices. The banking density according to the latest estimations was approximately one bank for every 6033 people.

As far as money exchange activities are concerned, the number of exchange companies reached 16 in 2000, in addition to six branches. The services provided by these companies were outstanding; especially in the transfer service, due to the increase in population and the diversity of nationalities of foreign expatriates in the country.

**Table No 1:  
Opening Dates of Banks Operating in the State of Qatar**

<b>Year</b>	<b>Bank Name</b>	<b>No of Banks</b>
1950	Standard Bank	1
1954	British Bank	2
1956	Grindlays Bank	3
1957	Arab Bank	4
1960	Al-Mashreq Bank	5
1965	Qatar National Bank	6
1970	1. United Bank 2. Iran Exports Bank 3. City Bank	9
1971	Oman Bank	10
1973	Pariba Bank	11
1975	Commercial Bank	12
1979	Doha Bank	13
1983	Qatar Islamic Bank	14
1984	Al-Ahli Bank of Qatar	15
1987	City Bank (Closed)	14
1990	Mashreq Bank (Closed)	13
1991	Qatar International Islamic Bank	14
1997	Qatar Bank for Industrial Development	15

**The Banking and Financial System For the year 2000:**

- 1st. The Banking System
- 2nd. The Financial Corporations
- 3rd. Doha Securities Market

**I. The Banking System:**

- a. Commercial Banks
- b. Qatar Central Bank
- c. Money Exchange Companies

**a. The Commercial Banks:**

## National Banks

Date of Establishment	Branches	Offices
1965 Qatar National Bank	18	8
1975 Commercial Bank	11	-
1979 Doha Bank	9	3
1983 Qatar Islamic Bank	7	2
1984 Al-Ahli Bank of Qatar	6	-
1991 Qatar Islamic International Bank	3	1

## Specialized Banks

1997- Qatar Bank For Industrial Development	Qatar Industrial Development Bank
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## Arab Banks

1957- The Arab Bank	2	-
1971- Al Mashreq Bank Limited	-	-

## Foreign Banks:

1950 - Standard Chartered Bank	-	-
1954- The British Bank For The Middle East	2	-
1970 -Grindlays Bank	-	-
1970-United Bank Limited	-	-
1970- Iran Export Bank	-	-
1983- Pariba Bank	-	-

## Money Exchange Companies:

Foundation Date	Name of Company	Branches
1970	Al-Fardan Money Exchange Company	2
1975	Al-Lari Money Exchange Company	-
1976	Trust Money Exchange Company	-
1977	Gulf Money Exchange Company	2
1978	Al-Zaman Money Exchange Company	-
1979	Doha Money Exchange Company	-
1979	Global Money Exchange Company	-
1979	National Money Exchange Company	-
1979	Al-Mana' Money Exchange Company	-
1979	Al-Sharqi Exchange Corporation	-
1979	Al-Madinah Money Exchange Company	-
1979	Habib Qatar International Money Exchange Company	2
1979	Arab Money Exchange Company	-
1979	Islamic Money Exchange Company	-
1997	Al-Sadd Money Exchange Company	-
1998	Al-Ittihad Money Exchange Company	-

### 2nd. The Financial Institutions

#### a. Investment Companies

1999 - Qatar Investment Company for Ladies.

2000 - International Investor Company.

#### b. National Insurance Companies

1964 - Qatar Insurance Company.

1978- Qatar General Company for Insurance and Reinsurance

1978 - Gulf Insurance Company .

1994- Qatar Islamic Insurance Company Foreign Insurance Companies.

1966 - Arabian Insurance Company Limited.

1966 - Lebanese Swiss Insurance Company.

1969 - Egyptian Ahliya Insurance Company.

The workforce in the banking system increased radically in the last decade. In fact, it approximately doubled in the period from 1991 to 2000. The number of employees in banks and exchange companies was 2999 in the year 2000, compared to 1547 employees in 1991. The increase in the total number of employees was 1452, with a percentage of 93.9%. Among these 19.5% are Qatari nationals, compared with 9.9% in 1991.

**Table (2)**

**Banks, Exchange Companies, and Insurance Companies**

<b>Year</b>	<b>1996</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>
Number of Banks	15	15	15	15	15
No. of Branches	49	58	64	71	81
Category (B)	39	46	51	57	67
Category (C)	10	12	13	14	14
No. of ATMs	77	104	122	141	169
No. of Exchange Companies	15	15	16	16	16
No. of Exchange Branches	6	6	6	6	6
No. of Insurance Companies	8	8	8	8	8

(B) = Branch

(C) = Office

With regard to the financial system; which consists of eight insurance companies and two investment companies, no change took place to the number of the insurance companies. They remained eight; four of them were national companies and four were branches for foreign companies. The improvement in insurance sector was in the services provided; especially, after the increase of foreign trade and the demand for health insurance and life insurance services. The number of employees in the field increased up to 338 in 2000, compared with 263 in 1991 that is 28.5% (75 employees). 10.4% of these were Qatari nationals in 2000; whereas in 1991 they were only 8.4%.

**Table No (3)**  
**The Growth of the Financial and Banking Assets**

The Description	(In million riyals)									
	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Qatar Central Bank	2680.6	2753.2	2875.1	2818.8	3711.8	3638.5	4.85.6	5755.3	6889.8	47.6.5
(%)of the total assets	9.23	8.67	8.39	8.01	9.50	9.41	9.34	11.62	12.35	8.37
The Commercial Banks	25516.4	27993.2	30399.4	31323.1	34248.9	33885.5	38459.2	42497.3	47649.4	50244.4
(%)of the total assets	87.86	88.19	88.74	88.98	87.65	87.66	87.90	85.84	85.38	89.31
Exchange Companies	172.5	201.7	154.4	165.8	163.8	161.1	162.8	181.7	168.2	158.2
(%) of the total assets	0.59	.64	.45	0.47	0.42	0.42	0.37	0.37	0.30	0.28
Total Banking Assets	28369.5	30948.1	33428.9	34307.7	38124.5	37685.1	42707.6	48434.3	54707.5	55109.1
(%) of total assets	97.7	97.5	97.6	97.5	97.6	97.5	97.6	97.8	98.0	98.0
Insurance Companies	672.7	793.3	826.1	894	950	971.6	1043.6	1075.6	1098.2	1150.2
(%) of total assets	2.32	2.50	2.41	2.54	2.43	2.51	2.39	2.17	1.97	2.04
Total Assets of Financial And Banking System	29042.2	31741.4	34255	35201.7	39074.5	38656.7	43751.2	49509.9	55805.7	56259.3

\* excluding the assets of foreign companies and investment companies .

In the investment sector, Qatar Central Bank issued motions (15 and 16) to regulate the activities of investment and funding. Two investment companies began their activities in accordance with the Qatar Central Bank motion and with a capital of 20 million riyals for each of them.

### **The Development of Assets of the Banking and Financial System.**

Asset development was consistent with the rates of development achieved by the Qatari economy in other economic fields. The data given in table (3) demonstrate the development of the assets of the financial and banking system in the period from 1991 to 2000. The average growth was 93.7% and the annual growth for the last decade was between 13.2% to -1.1% with an annual rate of 7.8%. The total value of the financial and banking system assets was 56.3 billion Qatari riyals in 2000, compared with 29 billion riyals in 1991.

If we take in more detail the contribution of assets of Qatar Central Bank, commercial banks, money exchange companies and insurance companies in the total assets of the banking and financial system, we find that the percentage of contribution of Qatar Central Bank assets are about 8.4% out of the total assets of the banking and financial system in the year 2000 at the value of 4.7 billion riyals, compared with 2.7 billion riyals at the beginning of the last decade with an average growth of 75.6%.

The contributions of the commercial banks in the total assets of the banking and financial system was 89.3%, which was approximately equal to 50.2 billion riyals in the year 2000, compared with 25.5 billion riyals in 1991 with a growth rate of 96.9% while the average growth of money exchange companies



fluctuated during the last decade. The value of their assets was approximately between 201.7 million riyals, and 154.4 million riyals and their contribution in the total assets of the banking and financial was 0.3%.

The assets of insurance companies increased in the last decade i.e. from 1991 to 2000, with a rate of 71% to reach 1.2 billion riyals in 2000, compared with 0.7% billion riyals in 1991. The average contribution of their assets to the total assets of the banking and financial system was 2%.

**The contribution of the financial and banking system in the total GDP:**

The contribution of the financial and banking system in the total GDP was about 3.0% in 2000 to reach 1.8 billion riyals in the same year, compared with 997 million riyals in 1991 with an average growth rate of 81.3%. The average contribution of the banking and financial system in the GDP was 3.0% in 2000 and 4.5% in 1998. The contribution of the finance sector, insurance and business services was 37.9% in 2000 and the rate was between 32.4% in 1993 and 38.1% in 1996.

Looking in more detail at the sector of the banking system reveals the fact that banks contributed to the GDP with the sum of 1.7 billion riyals and an average of 2.8% in 2000. Banks achieved an average growth of 86.1%, compared with 1991. As to the banks' contribution to the financial, insurance and business services, was 35.1% in 2000, compared to 31.8% in 1991.

**Table No: 4**  
**The Contribution of the Financial and Banking System in**  
**the Gross Domestic Product**  
(In million riyals)

<b>Description</b>	<b>1991</b>	<b>1992</b>	<b>1993</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>
Commercial Banks	900	1029	880	933	1047	1180	1292	1542	1553	1675
Exchange Companies	23	16	19	189	24	23	29	33	32	34
Production of Banking System	923	1045	899	951	1071	1203	1321	1575	1585	1709
Banking Production / the Local Production %	3.7	3.8	3.5	3.5	3.6	3.6	3.2	4.2	3.6	2.9
Insurance Companies Production	74	85	75	89	111	100	110	96	110	99
Insurance Production/ Total Local Production%	0.3	0.3	0.3	0.3	0.4	0.3	0.3	0.3	0.2	0.2
The Production of the Financial and Banking System	997	1130	974	1040	1182	1303	1431	1671	1695	1808
The Production of the Financial and Banking System/ the total %	4.0	4.1	3.7	3.9	4.0	4.0	3.5	4.5	3.8	3.0
The Total Local Production	25056	27832	26050	26843	29622	32976	41124	37330	44397	59893
The Financial, Insurance and Business Services Sector	2833	3180	3003	3058	3222	3423	3969	4505	4627	4768
The Contribution of The Financial and Banking System in the Sector of Finance and Business	35.2	35.5	32.4	34.0	36.7	38.1	36.1	37.1	36.6	37.9

The total contribution of money exchange companies was 0.1% out of GDP with the sum of 34 million riyals in 2000. The achieved average growth was 47.8% in the last decade, but its contribution to the finance, insurance and business services was 0.7%.

### **The Development of the Banking Services:**

Technology had a great effect on the improvements of the banking services during the last ten years; especially, after the increase in the workload, doubling of growth rate and increase of competition. It was a must to employ new and modern banking systems to ensure ease of banking processes and offer high quality services. Therefore, Qatar Central Bank established in collaboration with the banks operating in the country, a network system for all ATMs for all banks (NAPS network). This, of course, helped to unify the technical systems and reduce the cost of banking services. It; also, improved the banking business and benefited the clients because in the form of making use of any of the 210 ATMs available throughout the country.

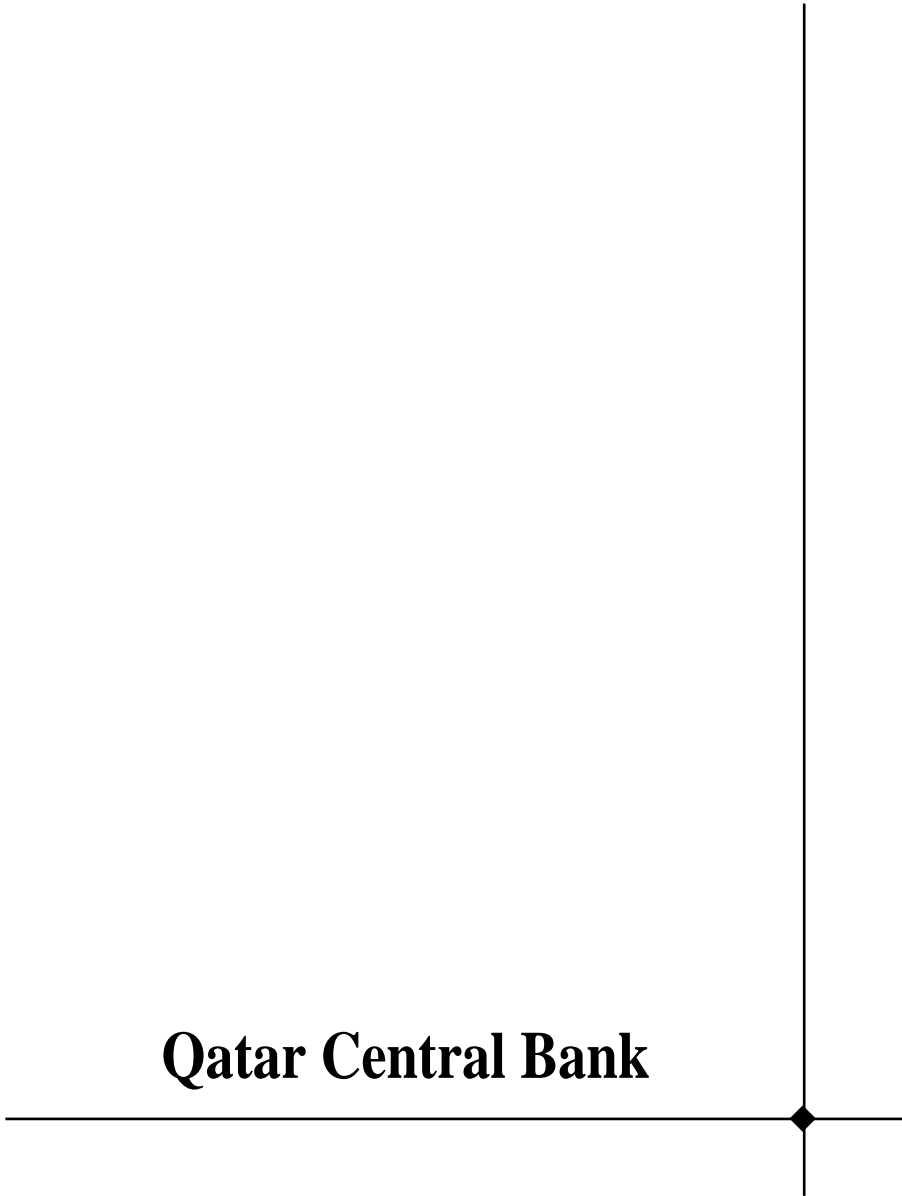
A similar system was also employed between the Gulf countries in which all ATMs were connected by GCC NET. The first connection was made with the system in Kuwait on Oct.1, 1997 and then followed by the connection with the UAE and Bahrain on May 15, 1999. The connection was completed with the other gulf countries on August 24, 1999. This connection helped in reducing the cost of banking services and it made it easy for customers to withdraw cash form anywhere in the region. The connection also created a kind of harmony between the systems used in the Gulf Countries, which reinforced the negotiating power and increased the utilization of technology to improve the banking business.

**Table No: 5**  
**The Employees of the Financial and Banking System**

The description	1999		2000	
	Banks	Insurance	Banks	Insurance
Qatari	153	22	585	53
%	9.9	8.4	19.5	10.4
Non Qatari	1394	241	2414	303
%	90.1	91.6	80.5	89.6
Total	Total	263	2999	338

**The Banking  
& Financial  
System in  
the State  
of Qatar,**

**Qatar Central Bank**



## **Introduction**

The Emiri Decree of Law (15) of the year 1993 regarding the establishment of Qatar Central Bank realized the expectations for a much more effective role of Qatar Central Bank in enhancing the bases of stability of the banking institutions and reinforcing the outstanding achievements that were accomplished by the banking sector. The bank has taken the responsibility, in accordance with the provision of this law, of organizing the monetary policies, insurance and finance; and then implementing these policies according to the general plan of the government. The aim was to support the national economy and the stability of the currency. The law specified the goals of the bank as follows:

1. Administering the monetary policies and banking insurance to accomplish the economic policies of the government.
2. Carrying out the right to issue the currency and administer its exchange.
3. Making sure the currency value is stable and is feasibly transferable to other currencies.
4. Organizing and supervising banks and financial institutions in accordance with the provisions of the law.
5. Carrying out the duties of the government bank within the legal limits enshrined in this law.
6. Acting as the bank of banks operating in the country.
7. Keeping and managing the reserve money allocated to covering the currency.

For the bank to function and accomplish its responsibilities, it employed a qualified staff of both Qatari and non-Qatari cadre. By the end of the year 2000, the bank formed the following departments:

- Banking monitoring department.
- The department of systems and development.
- Banking, issuing and public debt department.
- Department of economic policies.
- Department of administrative and financial affairs.
- Department of Investment.
- Legal affairs Unit.
- Auditing Unit.

#### The Capital of the Bank:

For the bank to perform its duties successfully and independently and to achieve the goals planned, the law provided for a substantial increase in the bank's capital. The capital was raised to 50 million Qatari riyals. This means the capital was doubled five times as the capital of the Qatar Monetary Agency was only 10 million Qatari riyals. Though this increase was relatively high, it still did not satisfy the aspirations of its management team. So the bank doubled its capital for ten times again in 1995, in which case the capital became 500 million Qatari riyals. Two years later and to cope with the expansion of the bank's activities and the massive development in the Qatari economy, the capital was doubled for the third time to 1000 million riyals.

#### **Budget of Qatar Central Bank:**

The statistical figures of the Qatar Central Bank indicate that there was a radical development in its budget during the last ten years (between 1990 and 2000). The total of the overall assets rose; continuously, in the last ten years except for the years 1994, 1996 and 2000. The total assets of the bank rose from 2680.6

million riyals in 1991 to 4706.5 million riyals in 2000. The average increase in assets was 75.6% and with an annual percentage of 8.4%.

It can be seen through the detailed analysis of the bank's budget that the increase in liabilities during the years 1991-2000 was concentrated; mainly, in issued currency; which rose from 1412 million riyals in 1991 to 1979.4 million riyals in 2000. The average growth was 40% and the highest annual growth for the issued currency was 27% in 1999 with the exception of the year 1994; when it recorded a slight drop of 0.1%.

The section on capital and reserves witnessed a great improvement during the period under discussion (1991-2000). It increased from 30 million riyals in 1991 to 1318 million riyals in the year 2000. This means it was doubled more than 43 times in the specified period.

With reference to the deposits of the local banks in the central bank, the improvement in the balances of these deposits was subject to two main factors. These were the level of clients' deposits in local banks and the changes that the central bank made with reference to the obligatory reserve balances. The figures shown in table (6) indicate that the deposits of local banks in the central bank increased variably during the last ten years; especially, in year the 2000; which was 1082 million riyals in comparison to 522 million riyals in 1991. The average growth was 107%, which reflects the increased amount in the deposits of the local banks. On the basis of these deposits the average of obligatory cash reserve was calculated to reach 2.75% of the total deposits.



It can be noticed from the analysis of the assets available in the bank's budget in the same period that there was a remarkable progress in the area of foreign assets, which include the balances in foreign banks and foreign debentures and treasury bonds as well as the State of Qatar's share in the International Monetary Funds. Foreign assets increased in 2000 to reach 3882.3 million riyals compared to 2493.3 million riyals in 1991. The increase was estimated at 1380.6 during the nine years referred to and the average increase was 55.4%. This increase was mainly concentrated in the foreign debentures and treasury bonds which rose from 1221.7 million riyals in 1991 to 3101 million riyals in 2000. That is, it doubled two times and a half during this period. This increase was due to many reasons the most important of which are the increase in the capital of the bank, its reserves and the deposits of local banks in the manner previously mentioned.

Local assets have witnessed fluctuation during the period (1991-2000). They were estimated at 227.6 million riyals and this was the lowest in the whole period but scored 1969.7 million riyals, when they reached the peak in 1998. Then they went down again to 445.2 million riyals in 2000. These changes in the local assets were; mainly, in the unclassified assets.

It is worth mentioning that Qatar Central Bank pursued its efforts to maintain stability in the exchange rate of the Qatari riyal against the US dollar. This was possible due to the increase in the proportion of covering of foreign assets to the issued currency in a way that exceeded the legally acceptable rate by 100%. This rate continued rising during the period (1991-2000) until it reached 215.2% in the year 2000, compared with 176.5% in 1991.

**Table No: 6**  
**Selected Accounts of the Budget of Qatar Central Bank**  
(In million riyals)

Description	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Assets (liabilities)	2646.1	2680.6	2753.2	2875.1	2818.8	3711.8	3638.5	3975.3	5755.3	6889.8	4706.5
Foreign assets	2428.4	2493.3	2555.9	2599.2	2301.6	2566.7	2366.3	2686.4	3493.0	4396.6	3882.3
Deposits in foreign currencies	(1386.9)	(863.5)	(972.0)	(1103.1)	(873.3)	(739.3)	(627.2)	(784.1)	(546.9)	(1876.7)	(762.3)
Issued Money	1467.1	1412.3	1458.3	1517.7	1495	1561.8	1568.4	1754.9	1729.2	2195.6	1979.4
Changes in issued money	5.8	-3.7	3.3	4.1	-1.5	4.5	0.4	11.9	-1.0	27	-9.8
Foreign assets to issued money%	165.5	176.5	175.3	171.3	154.0	164.3	150.9	153.1	202.0	200.2	196.1
Capital and reserves	30.0	30.0	30.0	156.0	183.6	647.6	709.2	1062.5	1140.9	1219.7	1318.1
Reevaluation account	335.6	308.8	233.6	223.5	252.0	268.7	330.0	298.6	345.6	289.8	165.2
Deposits of Local banks	450.0	521.9	628.1	662.9	534.4	569.4	693.0	725.5	757.6	672.5	1081.9

### **The Monetary Policy of the Central Bank:**

The bank specified the goals of its policy as to guarantee The stability of the exchange rate of Qatari riyal against the US dollar and to achieve stability at the level of local prices to be below international inflation, financial stability to the banking system and to contribute to the development of domestic economy.

The bank is trying to accomplish these goals by all possible means; such as, proposing a fixed rate for the riyal against the US dollar, controlling the interest rate on the riyal, specifying the reserve requirements, deducting stocks of banks and re-buying of government debentures for short terms. The bank was also controlling the interest rate on the riyal directly through changing those rates, but now it has given the banks the freedom to gradually fix those rates.

The freeing of the interest rate in the Qatari market started with a preliminary step through which the interest rate on credit was freed at the beginning of August, 1995. This decision had an effect in raising the interest rate for loans; especially, with the increasing demand on credit by the government and public sectors.

The previous step was followed by another step which was the partial freeing of interests rates on deposits for more than 15 months. This step took place in the middle of April 1998 and this had a great effect on providing medium term finance sources for commercial banks, the sum of which reached approximately 1.5 billion riyals. The deposit balances which terms were more than a year rose from 0.1 million riyals at the end of December 1997 to reach 1353 million riyals by he end of December 1998.

The third step followed immediately, and at the beginning of 1999 the bank took a decision to abolish the restrictions that were on the interest rates on the deposits which terms were more than 12 months. The deposits which terms were less than a year were subject to maximum limits determined by the Central Bank. The importance of this step was clearly evident by the increase of the long-term deposits from 1.4 billion riyals at the end of Dec. 1998 to 2.7 billion riyals with an average growth of 93%.

The interest rates on the riyal were completely freed by the bank's decision in Feb. 2000, which stated that the banks had the full freedom to determine the interest rates on deposits of various terms and with this the interest rate is entirely under no constraints from the Central Bank. Rather it determined in accordance with market forces.

With this the final step was taken by the central bank to free interest rates on the Qatari riyal. The Bank at the same time became in great need for new tools that will allow the Bank to make up for the absence of the tool of interest price as the Bank gave away almost all its tools except the tool of compulsory cash reserve. In July, 1999, the bank introduced a new tool to influence the interest rates on both the debit and credit in commercial banks and then to influence the overall variables of the domestic economy. This new tool was in the form of re-buying in which the banks are allowed according to this tool to sell part of the government debentures; which they have to the Central Bank with an undertaking that they would buy them again within two weeks according to the prices given by the central bank. Through this mechanism the central bank could

control the cash levels available in the banking system and also influence the interest rates.

Concerning the compulsory reserve, the bank changed its policies; which were in use since 1995. The banks were supposed to keep at least 19% of the reserves of all current accounts; whether, those in the Qatari riyal or in any foreign currency with interest or without interest. This percentage changed since February 2000 to 2.75% out of all deposits and current accounts.

#### **Qatari Riyal Exchange Rate:**

Business activities in the last decade show that the Qatari riyal exchange rate was fluctuating against the major currencies except the US dollar with which it was firmly connected since 1980 at the rate of 3.6415 Qatari riyals for buying each dollar and 3.6385 for selling each dollar. Therefore, the Qatari riyal was affected against the other currencies in the same way the dollar was affected by those currencies.

When the exchange rate of the Qatari riyal was monitored at the end of 2000 and compared with 1991, it was found that the exchange rate noticeably improved against other currencies, except the Japanese yen, during this period.

When the improvement of the exchange rate of the Qatari riyal against other currencies was observed at the end of the period, it was found that it gained an increase against the sterling pound estimated by 15.4% at the end of the year 2000 compared with 1991. The sterling pound's rate decreased from 6.4208 riyals for a pound in 1991 to 5.4316 riyals in 2000. The German (Deutsche) mark also decreased by 20.9% from 2.1894 riyals for a mark in 1991 to 1.7314 riyals for a mark in 2000. The French

franc decreased by 20.2%, from 0.6466 riyals for a franc in 1991 to 0.5163 riyals for a franc in 2000. The Dutch gilder dropped by 21.8%, from 1.9657 riyals for a gilder in 1991 to 1.5369 riyals for a gilder in 2000. On the other hand, the Japanese yen increased by 16.8 during the same period. It increased from 2.7133 for a hundred yens in 1991 to 3.1680 for a hundred yens in 2000.

With regard to the to the directions of the exchange rate according to the average rate of the period, the increase was an advantage for the riyal exchange rate against most of the currencies except the Japanese yen. The riyal increased against the sterling pound by 14.4% as an average for the period. The pound decreased from 6.4464 riyals for a pound in 1991 to 5.5186 riyals for a pound. The Deutsche mark decreased against the riyal from 2.2062 riyals for a mark in 1991 to 1.7147 riyals for a mark at the end of the last decade and the percentage of this decrease was 22.3%.

The riyal has also increased against the French franc by 21.5%. The franc decreased from 0.651 riyals for each franc in 1991 to 0.5113 riyal for a franc in 2000. The Dutch gilder also recorded a decrease against the riyal, when it fell by 22.8% and reached 1.5218 riyals for a gilder in 2000 compared with 1.9703 riyals for a gilder in 1991. However, the Japanese yen increased against the riyal by 24.8% as it increased from 2.7057 riyals for a hundred yens to 3.3776 riyals for a hundred yens in 2000.

**Table No: 7**

**Exchange Rate of Qatari Riyal Against Some Major Currencies**

(In million riyals)

Main Currencies	Period	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Sterling Pound	Average	6.4474	6.4264	5.4679	5.5750	5.7457	5.6846	5.9612	6.293	5.5736	5.5189
	End	6.4208	5.5037	5.3916	5.6875	5.6420	6.1807	6.0198	6.0551	5.8837	5.4316
Deutsche Mark	Average	2.2062	2.3308	2.2017	2.2430	2.5399	2.4189	2.0991	2.0685	1.9828	1.7147
	End	201894	2.2553	2.1086	2.3502	2.5392	2.3411	2.0311	2.1757	1.8697	1.7314
French	Average	0.651.	0.6876	0.64237	0.6556	0.7292	0.7116	0.6236	0.6170	0.5912	0.5113
	End	0.6466	0.6610	0.6174	0.6809	0.7429	0.6951	0.6079	0.6474	0.5575	0.5163
Dutch Gilder	Average	1.9703	2.6990	1.9598	2.000	2.2669	2.1591	1.8754	1.8385	1.7598	1.5218
	End	1.9657	2.0056	1.8754	2.0979	2.2688	2.0876	1.8045	1.9271	1.6594	1.5369
Japanese	Average	2.7057	2.8741	3.2737	3.5613	3.8699	3.3462	3.0085	2.7805	3.1955	3.3776
	End	2.7133	2.9178	3.2544	3.6495	3.5398	3.1379	2.8011	3.1488	3.5616	3.1680

**Table No: 8**  
**Percentage of Annual Changes in Qatari Riyal Exchange**  
**Rate against some of the Main Currencies**

Main Currencies	Period	Rate against some of the Main Currencies (%)									
		1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Sterling Pound	Average	0.8	0.3	17.5	-1.9	-30	1.1	-4.6	-1.1	8.2	1.0
	End	9.4	16.7	2.1	-5.2	0.8	-8.7	2.7	-0.6	2.9	8.3
Deutsche Mark	Average	-0.7	-5.3	5.9	-1.8	-11.7	5.0	15.2	1.5	4.3	15.6
	End	11.4	-2.9	7.0	-10.3	-7.4	8.5	15.3	-6.6	16.4	8.0
French Franc	Average	3.0	-5.3	-7.0	-2.0	-10.1	2.5	14.1	1.1	0.4	15.6
	End	10.8	-2.2	7.1	-9.3	-8.3	6.9	14.3	-6.1	16.1	8.0
Dutch Gilder	Average	1.7	-4.8	5.6	-2.0	-11.8	5.0	15.7	1.7	4.5	15.6
	End	9.9	-2.0	7.0	-10.6	-7.5	8.7	15.7	-6.4	16.1	8.0
Japanese Yen	Average	-6.6	-5.9	-12.2	-8.1	-8.0	15.7	11.2	8.2	-13.0	-5.4
	End	-0.5	-7.0	-10.3	-10.8	3.1	12.8	12.3	-11.0	11.6	12.4



### **Government Debentures:**

Commercial banks in the State of Qatar were facing great pressure due to the increase in government credit; which was 52% of the total domestic credit facilities and the implications of this, like exercising 'crowding out' pressure to private credit. This means depriving the banking sector from necessary cash to function properly in development and other consequences that do not affect the banking sector only but extend to affect the national economy as a whole. The Central Bank in collaboration with finance authorities in the government proposed a suitable solution to this problem, which allowed the government to get the financial resources it needed. The solution that the Central Bank proposed in collaboration with financial authorities was to substitute government credit in the banking system or part of it with debenture loans so that the percentage of government credit facilities could be reduced in the banking system.

The first step of this solution began when the Central Bank issued on behalf of the government the first local debenture loan on 30/6/1999 at a value of 2000 million Qatari riyals with an interest rate of 7.75% for three years. The interest on these debentures was to be paid every six months. The banks operating in Qatar participated in the underwriting of the entire loan. After that, the Central Bank issued other two loans on 20th and 26th of December 1999 at the total value of 3000 million Qatari riyals. The first loan was of 1000 million Qatari riyals and the second was of 2000 million Qatari riyals and with an interest rate of 8% for five years for both of them. The interest on these two loans was to be paid annually. The local banks underwrote the entire amount of these two loans.

### **Banking Monitory:**

The department of banking monitory plays an important role in the accomplishment of the objectives of the Qatar Central Bank, particularly in the areas of organizing and monitoring the activities of banks and monetary institutions. The department issues a number of directives every year including instructions that the Bank sees necessary to maintain the safety and stability of the banking system. The department of banking monitoring compiled all these directives since 1999 in a book bearing this as its title in order to facilitate reference to these directives to those concerned with these issues, particularly, employees in the management of local banks.

The book consisted of six chapters. The first chapter dealt with exchange rate policy and the second chapter addressed the monetary policy of the Bank. Chapter three explained banking issues and issuing. The relationship with government bodies was dealt with in chapter four and the instructions related to banking monitoring were included in chapter five and this took most of the book from page 70 to 389. This means that the majority of the book focused on this issue. In chapter six, a number of pages were devoted to discussing the public debt. As to chapter five; which was occupied with discussing banking monitoring, this chapter included comprehensive instructions covering all aspects related to the activities of banks; particularly, in the following areas:

1. Monetary
2. Foreign exchange in terms of maximum limits of dealings and dealing with commercial margins for the benefit of clients and derivatives and the tools of monetary market.

3. Banking policies dealing with deposits in banking institutions.
4. Investments including those of Islamic banks.
5. Organizing credit.
6. Banking policies in the area of credit policies and credit concentrations and overdrawn accounts ... etc.
7. Finance policies in Islamic banks including local, international and real estate financing and giving credit for purposes of trading in stock exchange markets.
8. Centrality of banking risks.
9. Automatic connection system.
10. Banking ratios and indicators such as:
  - \* ratio of cash sufficiency
  - \* ratio of credit to deposits
  - \* ratio of current debit to credit
  - \* ratios pertaining to Islamic banks
  - \* ratio of capital and reserve to total assets
  - \* ratio of capital sufficiency
11. Monthly statement of assets, liabilities and final accounts for every bank.
12. Client deposits.
13. Boards of directors.
14. External account auditors.
15. Internal auditing.
16. Appointment of high ranking officials in banks.
17. People authorized to sign in banks.
18. Correspondence between banks and Qatar Central Bank.

19. Activities of bank and branches.
20. Computer and automatic tellers.
21. Bank registration and fees.
22. Guide of standards and accounting policies.
23. Bank work schedules and holidays.
24. Instructions and precautionary recommendations .
25. Other instructions.

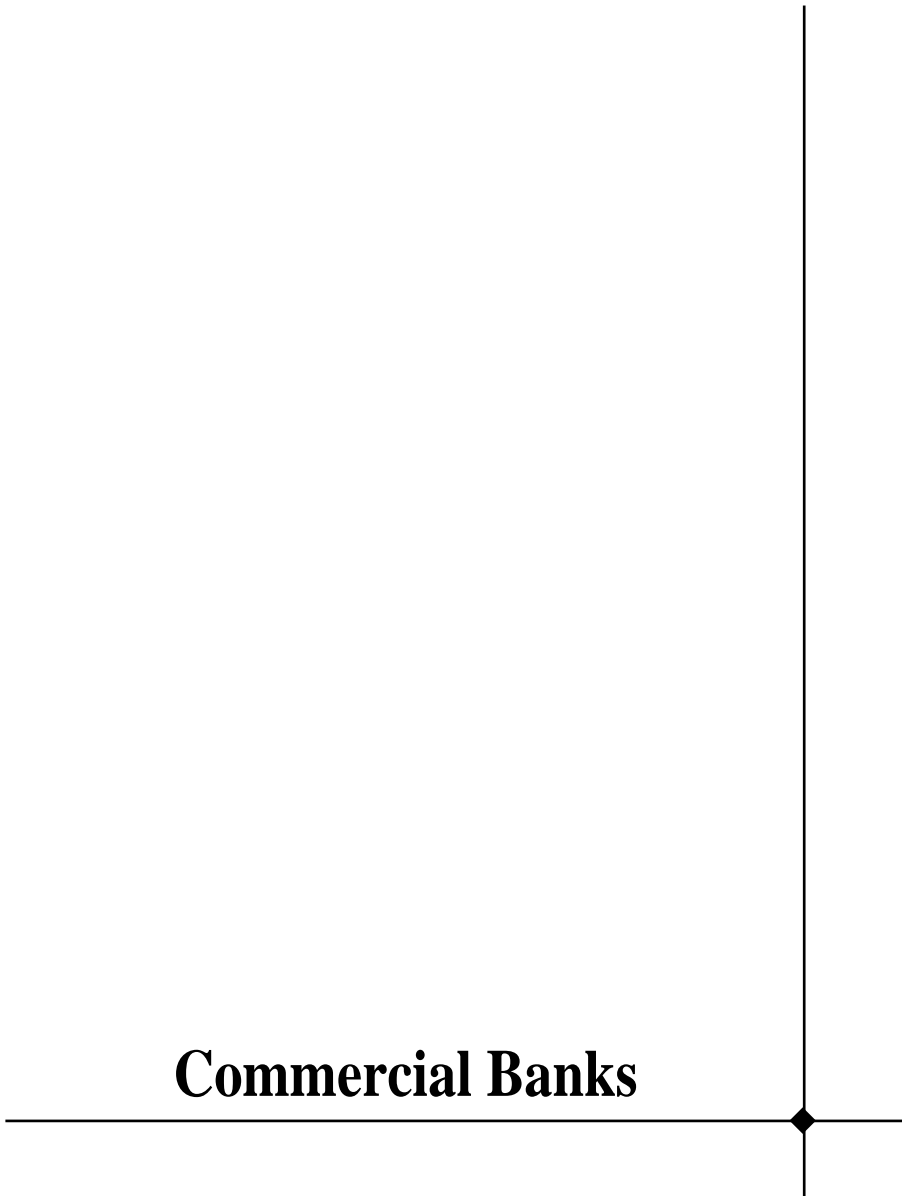
Qatar Central Bank updates this book every year to include new directives. While the first edition of the book in 1999 included all previous and following directives, later editions included only those directives that are implemented and excluded those which were canceled. Those who are interested in these directives can get a copy of the book from the banking monitoring department in Qatar Central Bank. As to the period that this exposition of the situation of the banking and finance system covered, the copy issued in June 2001 of this book covered all the directives issued in that period. With regard to banking rates and indicators; which were applicable in the period under study, they are summarized in the following:

1. The rate of sufficient liquidity for commercial banks is at least 100% and liquidity is the ability of the bank to deliver its commitments inside and outside the budget, and the ability to make available loans to privileged clients if need be. So the rate is measured by all the funds and financial credits of the bank whether those in the Central Bank or in other banks or those financially usable bonds, and assessed by client deposits and bank short-term deposits. The way of calculating the rate in Islamic banks is different from the way used in commercial banks.

2. The proportion of credit to deposits: Qatar Central Bank fixed the maximum limit of this at 95%, which means that credit facilities given to clients after deducting pending debts and interests for clients shall not exceed 95% of client deposits in any bank.
3. The proportion of current debit to credit: the current debitbalance shall not exceed 50% of the total funds of credit facilities in all banks.
4. The proportion of international finance to client deposits in Islamic banks shall not exceed 70% as the maximum limit.
5. The proportion of investment in real estate (investment - circulation) and in purses, funds and other assets to capital and reserves in Islamic banks shall not exceed 70% as the maximum limit.
6. The proportion of capital and reserves to total assets was 6% as the minimum limit but this changed to 10% in May 2000.
7. The proportion of capital sufficiency: Qatar Central Bankdecided to implement the rate of capital sufficiency at a minimum limit of 8% in accordance with decisions of Bazal Committee. The proportion is calculated by dividing basic capital; which is the capital paid, reserves and periodical profits; and the complementary capital, which is comprised of the complementary loans, general allocation, the unproclaimed reserves, reassessment reserves and other capital tools by the total assets after considering them in weights ranging between 0% to 100%.

**The Banking  
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### **Commercial Banks:**

In 1990s the banking sector advanced a great deal and some positive phenomena were evident, the most noticeable of which was the attainment of high development rates in the main activities in general and in the financially mediated activities in particular. Commercial banks operating in the State of Qatar accomplished an increase in the total of their assets and liabilities during the last nine years. During the period from 1992- 2000 the country witnessed the birth of two new national banks. One of these was the Qatar Grindlays Bank; which entered the banking business in Qatar in the first half the 1950s and then changed into a national bank in the second half of the year 2000. The second started its activities as an industrial development bank in the second half of 1997. The number of branches also increased by 46 branches. 11 of these are branches of Qatar National Bank, 9 are branches of Commercial Bank, 6 branches for Doha Bank and the same number of branches for Al-Ahli Bank of Qatar, 5 branches for Qatar International Islamic Bank and one branch for Arab Bank Limited and one branch for (HSBC) and 7 branches for Qatar Islamic Bank. Banks continued their efforts in the area of developing working systems to match with the latest development in technology. Bank of Oman Limited changed its name to Mashreq Bank.

Table (9) shows that the total number of commercial banks of different nationalities operating in the country has reached 15 banks at the end of 2000. This number is distributed into eight national banks, two of them operate according to the Islamic laws, two Arab Banks and five foreign banks. The network of branches expanded at the end of 2000 to reach 96, compared

with 50 in 1991. The national banks have the greater share of this local network of branches as they have 85 branches leaving only 11 branches for Arab and foreign banks.

**Table (9)**  
**Banks Operating in the State of Qatar Distributed According to Nationality, Opening Date, Capital as Shown at the End of 2000**

Name of Bank	Nationality	Capital in Thousands Of QR.	Opening Date	Hqs. and Branches
National Banks				
(1) Qatar National Bank	Qatari	1,038,208	3/1/1965	30
(2) Qatar Commercial Bank	Qatari	197, 754	10/4/1975	13
(3) Doha Bank	Qatari	18,457	15/3/1979	14
(4) Qatar Islamic Bank	Qatari	250,000	1/7/1983	11
(5) Al-Ahli Bank of Qatar	Qatari	182,813	4/8/1984	9
(6) Qatar Int. Islamic Bank	Qatari	90,000	1/1/1991	6
(7) Qatar Bank for Indust. Dev.	Qatari	200,000	6/7/1997	1
(8) Grindlays Bank of Qatar	Qatari	75,000	1/8/2000	1
Total		2,218,345		
Arab Banks				
(9) Arab Bank	Jordanian	10,000	18/6/1957	3
(10) Mashreq Bank	Emirates	10,000	16/10/1971	1
Total		20,000	31/1/1950	4
Foreign Banks				
(11) Standard Chartered Bank	British	10,000	28/2/1954	1
(12) HSBC	British	10,000	10/9/1970	3
(13) United Bank Limited	Pakistani	10,000	27/9/1970	1
(14) Bank of Iran Exports	Iranian	10,000	23/6/1973	1
(15) B. N. P. Pariba	French	10,000		1
Total		50,000		7
Overall Total		2,288,345		96



The total capital of all these banks reached by the end of 2000 about 2288.3 million Qatari riyals compared with 572.7 million Qatari riyals in 1991. About 2218.3 million Qatari riyals is the capital of Qatari banks and about 70 million riyals is the capital of Arab and foreign banks.

#### **Aggregate Balance Sheet of the Commercial Banks:**

The total amount of bank assets and liabilities was in a steady increase during the years from 1992-2000. By looking closely into the aggregate balance sheet, it can be noticed that pattern of development during these years was rapidly increasing. The total assets (liabilities) rose from 24817.2 million Qatari riyals in 1992 to 48019.2 million Qatari riyals in 2000. It is evident that the Qatari economic system was characterized during this period by a remarkable rhythmic increase in development due to the increase in oil prices in the international market. Development covered various economic sectors without exception. This improvement was associated with a horizontal expansion that the banking system witnessed; whether, in the form of new banking institutions entering the banking sector or in the form of expansion of existing banks by establishing new branches.

#### **Sources of Funds of Commercial Banks:**

Commercial banks funds can be divided into two main types:

- a. internal (self) sources which are normally long term.
- b. external sources which are medium or short term sources.

The proprietorship rights; which are the capital and reserves, are considered the most important self sources; while, deposits are one of the most important external sources.

Table (10) shows that there is steady increase in the sources of funds of commercial banks from 48019.2 million riyals during

the nine years, i.e. from 1992-2000 due to increase in internal and external sources. On the one hand, capital and reserves continued their growth during the nine years and the development increased considerably when capital rose from 2762.1 million riyals in 1992 to reach 6329.9 million riyals in the year 2000 forming 13.2% of the total assets.

By observing developments recorded in entries of external sources of commercial banks during 1992-2000, it can be noticed that the total deposits, which constitute the greater part of liabilities continued their growth steadily during most of the years of the period mentioned. They rose sharply from 18768.4 million riyals in 1992 to 36485.0 million riyals in the 2000. The analysis shows also that private deposits doubled from 13704.9 million riyals in 1992 to 27082.9 million riyals in the year 2000; while, the government deposits increased to reach 9402.1 million riyals in the year 2000 from 5063.5 million riyals in 1992.

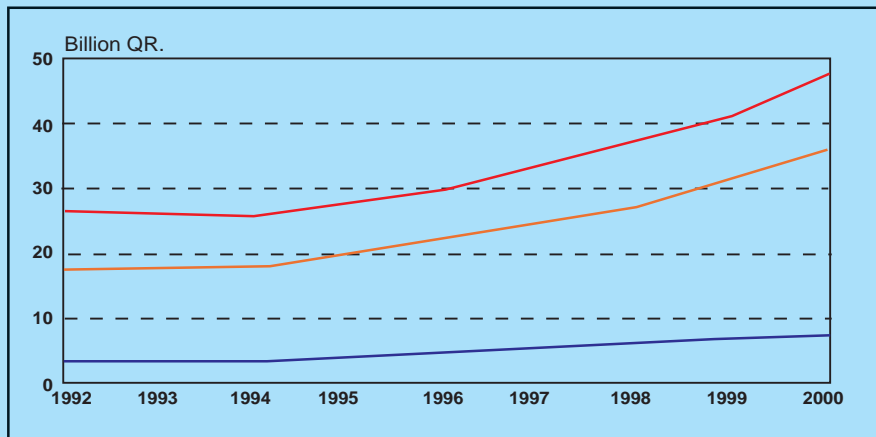
When we analyze figures of private deposits according to their terms in the period from 1992-2000, we find that demand deposits rose marginally from 2669 million riyals in 1992 to 2776 million riyals in 2000. In contrast, saving and term deposits doubled in 2000 to 18 billion riyals, compared with 6.7 billion riyals in 1992. It is clear that the increase in 2000 was the highest compared with the increases of the other years in the period. This may indicate to the lack of opportunities of domestic investment. Deposits in foreign currencies; also, rose in 2000 to 6.4 billion riyals, compared with 4.4 billion riyals in 1992. Government deposits recorded a substantial increase in the period under study and in the year 2000 particularly.

**Table (10)**  
**Sources of Funds in Commercial Banks**  
(in million Qatari riyals)

Description	1992	1993	1994	1995	1996	1997	1998	1999	2000
Total of liabilities*	24817.2	25411.2	26295.1	27812.7	30148.8	33820.8	37046.1	41805.4	48019.2
Total of deposits	18768.4	18888.9	19044.7	19954.4	22108.3	24781.6	27153.8	30902.9	36485.0
Total of special deposits	13704.9	14553.4	17068.9	17214.0	18253.1	20041.1	21833.7	24268.2	27082.9
Demand deposits	2669.1	2805.4	2560.6	2312.6	2312.6	2480.9	2575.3	2464.7	2775.7
Term and saving deposits	6670.0	7253.1	9266.2	9510.0	10847.1	11729.8	13343.6	14945.6	17898.3
Deposits in foreign currencies	4365.8	4494.9	5242.1	5391.4	4925.1	5736.0	5773.2	6857.9	6408.9
Total of government deposits	5063.5	4335.5	1975.8	2740.4	3855.2	4740.5	5320.1	6634.7	9402.1
State of Qatar	5020.4	4317.3	1903.0	2671.4	3795.2	4600.8	5248.3	6540.3	9262.3
Qatar Central Bank	43.1	18.2	72.8	69.0	60.0	139.7	17.8	94.4	139.8
Capital and reserves	2762.1	2996.9	3236.3	3536.4	3783.9	4254.5	4740.4	5389.4	6329.9
% of total deposits to liabilities	75.6	74.3	72.4	71.7	73.3	73.3	73.3	73.9	76.0
% of capital and reserves to total deposits	11.1	11.8	12.3	12.7	12.6	12.6	12.8	12.9	13.2
% of special deposits to total deposits	73.0	77.00	89.6	86.3	82.6	80.9	80.4	78.5	74.2
% of government deposits to total deposits	27.0	23.0	10.4	13.7	17.4	19.1	19.6	21.5	25.8

\* except foreign liabilities on commercial banks.

**Chart (1)**  
**Sources of Commercial Bank Funds**  
**(1992 - 2000)**



— Total Liabilities    — Total Deposits    — Capital and Reserves

### **Uses of Funds in Commercial Banks:**

A close look to the development of the movement of fund investment in commercial banks operating in the State of Qatar during the period from 1992 - 2000 will indicate to the occurrence of outstanding developments in the issue of fund investment both in the local market and in external markets. In terms of the local market the data in table (11) show that the domestic net credit continued to rise throughout the period except in the year 1992 and 1994. The amount of domestic credit rose from 18113 million riyals in 1992 to reach 28541 million riyals in 1999, but it fell slightly in the year 2000 to 27913 million riyals. This fall is the fourth fall in banking credit since 1981 and is accompanied by a rise of net foreign assets. This reflects the relative attraction of foreign investment opportunities compared with local investment opportunities.

By looking closely into the banking credit funds across the years under study, it can be noticed that the movement of development was rapidly progressing; especially; during the last three years; which followed the oil price increase in the global market in 1996. Commercial banks expanded remarkably in granting banking credit to various economic sectors and particularly to public sector.

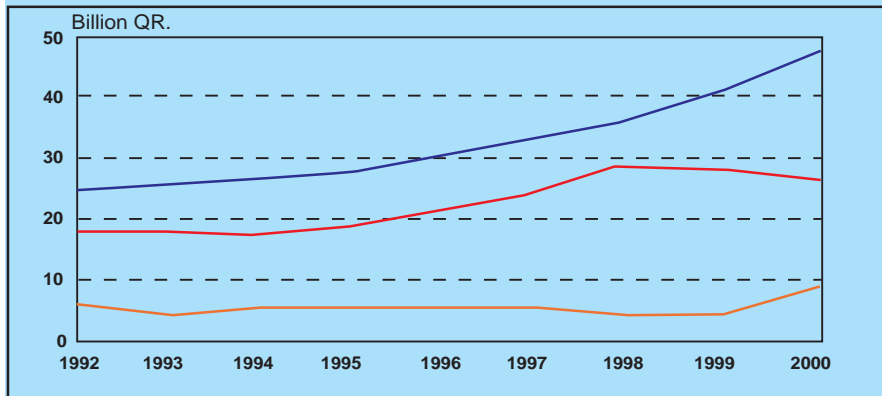
With regard to net foreign assets that represent net financial investment of banks outside the scope of national economy during the same period, (1992-2000), the data in table (11) show that the nine years generally witnessed continuous improvement except in the years 1993, 1998 and, 1999. In fact, these assets jumped from 4814 million riyals in 1992 to 9398 million riyals in 2000 and that the pattern of development was remarkably

rapid in the year 2000, as it reached three times the amount in 1999; which was 3094 million riyals and in the year 2000 it was 9398 million riyals.

As to the pecuniary assets of commercial banks, which also include notes and pecuniary coins in their safes in addition to deposits in Qatar Central Bank, we find that the size of pecuniary assets in banks during the period from 1992 -2000 have risen from 768 million riyals in 1992 to 1368 million riyals in 2000.

The general hierarchical structure of fund investment in commercial banks during the period from 1992-2000, show that local credit received the lion's share of the total bank investment of their funds.

**Chart (2)**  
**Uses of Funds by Commercial Banks**  
**(1992 - 2000)**



— Total Assets      — Deposits Credit      — Foreign Assets (Net)

**Table (11)**  
**Use of Funds in Commercial Banks**  
(in million Qatari riyals)

Description	1992	1993	1994	1995	1996	1997	1998	1999	2000
Total assets	24817.2	25411.2	26295.1	27812.7	30148.8	33820.5	37046.1	41805.4	48019.2
Local credit	18113.0	18724.4	18306.1	19147.1	21268.3	23896.9	28597.5	28540.8	27912.9
Net foreign assets	4813.9	3253.9	4610.7	4824.9	4985.9	4983.2	3009.1	3094.1	9397.7
Monetary assets	768.3	830.9	679.8	739.3	852.1	918.6	1063.7	1168.8	1368.0
Notes and monetary coins	137.7	167.4	145.4	154.4	164.3	199.7	229.8	481.6	306.2
Deposits in Qatar									
Central Bank	630.6	662.9	534.4	584.9	687.8	718.9	833.9	687.2	1061.8
% of credit to total assets	73.0	73.7	69.6	68.8	70.5	70.7	77.2	68.3	58.1
% of Net of foreign assets to total assets	19.4	12.8	17.5	17.3	16.5	14.7	8.1	7.4	19.6
% of monetary assets to total assets	3.1	3.3	2.6	2.7	2.8	2.7	2.9	2.8	2.8
% of monetary assets to total deposits	4.1	4.4	3.6	3.7	3.9	3.7	3.9	3.9	3.8

\* except foreign liabilities on commercial banks.



### **Distribution of Banking Credit According to Economic Purposes:**

The data in table (12) reveals that the banking credit during the period from 1992 -2000 continued rising during most of the years in the period under study except the sudden decrease of the year 2000. A close look at table (12) will also show substantial progress in sectorial distribution of credit activity. The sectorial map of the banking credit shows that the government and government institutions sector continued to receive the greater proportion of banking finance. The individual sector clearly became the first competitor with government and government institutions sector. A careful reading of the data in table (12); especially, the data related to distribution of credit facilities to commercial banks according to economic sectors, will indicate that the public trade sector occupies the third rank after the government and government institutions and individuals sector. However, the share of the public trade sector exercised a continuous decline since 1996.

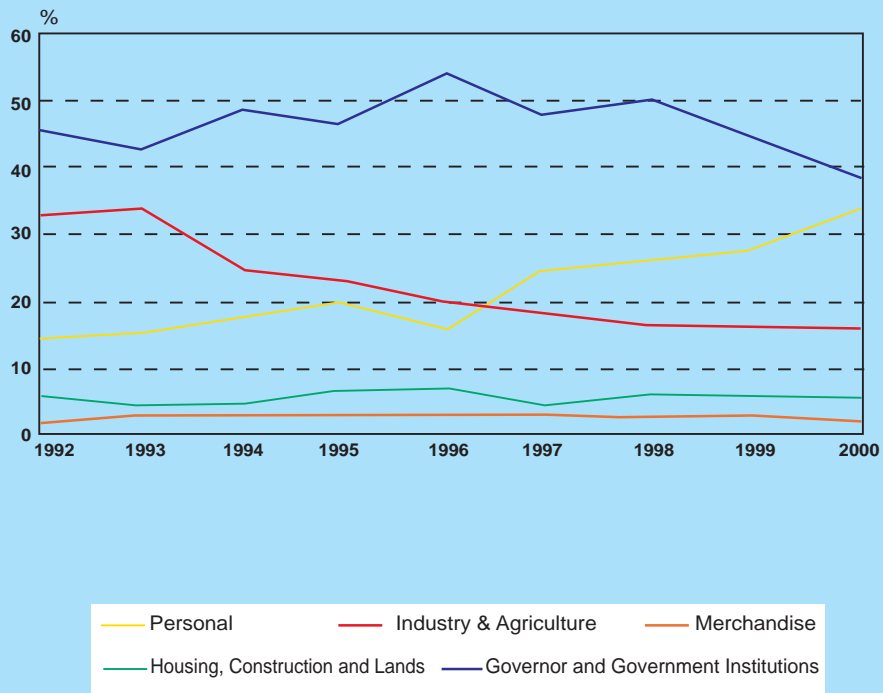
As to shares of other economic sectors like the industry, agriculture and transport from the total banking credit, they were remarkably low throughout the past nine years. It is evident from the data in table (12), the extent of reduction in their relative shares; particularly, during the last years of the period. In 1992; for example, the share of industry sector from the total banking credit did not exceed 1.1% and in the transport sector, 1.8%, and the agriculture sector maintained a relatively similar percentage in the total facilities during the nine years.

Perhaps it is useful in this connection to indicate that the fall in the shares of industry, agriculture and transport sectors from

**Table (12)**  
**Distribution of Credit Facilities of Commercial Banks**  
**According to their Economic Purposes**

Description	1992	1993	1994	1995	1996	1997	1998	1999	2000
Government and government institutions	44.7	41.7	48.1	46.6	52.0	47.7	49.5	45.2	38.2
Public Trade	31.9	32.6	24.0	22.4	19.5	18.5	16.1	16.0	16.1
Industry	1.1	1.4	1.1	1.6	1.4	1.6	1.5	1.4	1.5
Agriculture	0.0	0.1	0.5	0.2	0.1	0.1	0.1	0.1	
Housing and Construction	5.1	2.1	1.8	0.2	3.1	1.3	2.6	3.0	0.1
Real estate	0.1	0.1	0.7	0.6	0.5	0.7	0.9	0.7	2.6
Transport	1.8	1.6	1.5	1.4	1.2	1.1	1.2	1.2	1.7
Individuals	14.0	15.3	18.2	19.9	1.4	15.7	24.3	24.3	1.3
Free trades	0.2	0.4	0.5	0.6	0.5	0.3	0.3	0.4	32.9
Other	1.1	4.7	3.6	3.8	6.0	4.4	3.5	4.3	0.5
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Total value in million riyals	18113.0	18724.4	18306.1	19147.1	21268.3	23896.9	28597.5	28540.8	27912.9

**Chart (3)**  
**Domestic Credit by Economic Purposes**  
**(1992 - 2000)**



the total banking credit was not due to reservation exercised by commercial banks in respect to this type of credit that is subject to risks exceeding those risks found in other types of credit, as it requires terms that may extend for long. Rather it is because of the very few requests submitted by these sectors to the banks. Table (12) also illustrates the variation in relative focus to domestic credit directed to industry sectors. The share of housing and construction; for instance, dropped from 5.1% in 1992 to 2.6% in the year 2000 and that is for the benefit of relative shares of other economic sectors like trade, individuals and estate; while, the agriculture sector maintained the same relative importance in the total facilities during the years at a level of 0.1%.

**The Banking  
& Financial  
System in  
the State  
of Qatar,**

**Money Exchange Companies**



### **Money Exchange Companies:**

The activity of local money exchange companies is one of the Qatar money market activities. In addition to the role of commercial banks, money exchange companies play an important role to meet the local needs for foreign currencies and precious metals for various purposes; particularly, those needs related to attending to unseen economic dealings. Through these companies a variety of needs for foreign currencies are fulfilled. For example, foreign currencies needed for purposes of tourism, education, medication abroad and personal transfers by expatriate workers to their families are among the services provided by these companies. This service takes different forms. It could be in the form of cash transfers or in the form of travelers checks or drafts drawn on correspondents abroad whether these are commercial banks, foreign exchange companies or external branches to these companies or by using modern technology of money transfer like 'swift' and other forms of instant transfers modes like fax or cable.

In view of the nature of the activities of this sector as one of the main basic channels of currency flow to and from the country, Qatar Central Bank gave it great importance. The amount of money flow that is accomplished through these companies are monitored in order to record this flow from different sources both, the incoming to the country as well as the outgoing from the country during the year. The number of money exchange companies in the State of Qatar reached 16 as shown in table (13); which also shows the capital of each of these companies and the year of establishment.

**Table (13)**  
**Money Exchange Companies Operating in the State of**  
**Qatar at the End of Year 2000**

<b>No</b>	<b>Name of Company</b>	<b>Date of Establishment</b>	<b>Number of branches</b>	<b>Company capital</b>
1	Al-Fardan Money Exchange Company	1970	2	15,000,000
2	Al-Khaleej Money Exchange Company	1977	2	10,000,000
3	Al-Zaman Money Exchange Company	1978		1,000,000
4	Doha Money Exchange Company	1979		1,000,000
5	Al-Basri Money Exchange Company	1979		1,000,000
6	National Money Exchange Company	1979		2,000,000
7	Trust Money Exchange Company	1976		1,500,000
8	Al-Mana Money Exchange Company	1979		1,000,000
9	Al-Sharqi Money Exchange Foundation	1979		1,000,000
10	Al-Madina Money Exchange Company	1979		1,000,000
11	Al-Itihad Money Exchange Company	1998		1,000,000
12	Habeeb Qatar International Money Exchange Limited Company	1979	2	1,500,000
13	Al-Lari Money Exchange Company	1975		2,000,000
14	Al-Sadd Money Exchange Company	1997		1,000,000
15	Islamic Money Exchange Company	1979		1,000,000
16	Arab Money Exchange Company	1979		1,000,000

### **Sources And Uses Of Money In Money Exchange Companies During The Period Form 1992 - 2000:**

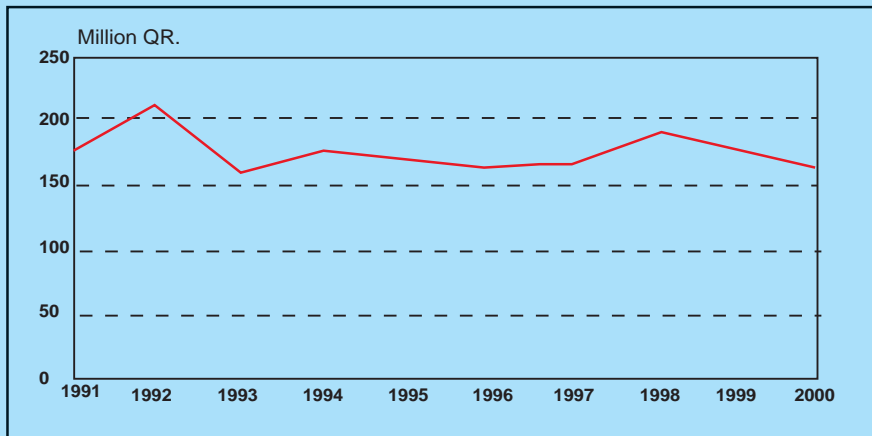
The entries of the aggregate budget of money exchange companies operating in the State of Qatar during the period 1992-2000 show that the general track of the total assets (liabilities) was not stable. On some occasions it was falling and on other occasions it was rising and in this it was influenced by prevailing economic climate. If we observe the direction of the total assets (liabilities) in table (14) below, we find that the total assets and liabilities fell to 158.2 million riyals in the year 2000 compared with 201.7 million riyals in 1992.

When we analyze the liabilities or what is known as the sources of money in the aggregate budget of money exchange companies as shown in table (1), we will realize that these companies depend on their own self sources, like capital and reserves. They also depend on external sources; such as, their commitments to local and external banks and other money exchange companies as well as other branches. When we know the extent of dependence of these companies on available resources to finance their assets, werealize that external resources of these companies for the period from 1992-2000 constituted about 69.1% in annual average of their total assets, while the annual average of the coverage of selfsources comprising capital and reserves was about 30.9%.

On the other hand, the assets reveal that the uses of money in exchange companies during the period were, basically, in the form of credits in banks and money exchange companies; especially, abroad. The aim was to finance the payment orders written by money exchange companies to beneficiaries. These



**Chart (4)**  
**Money Exchange Companies Assets (Liabilities)**  
**(1991 - 2000)**



— Total Assets

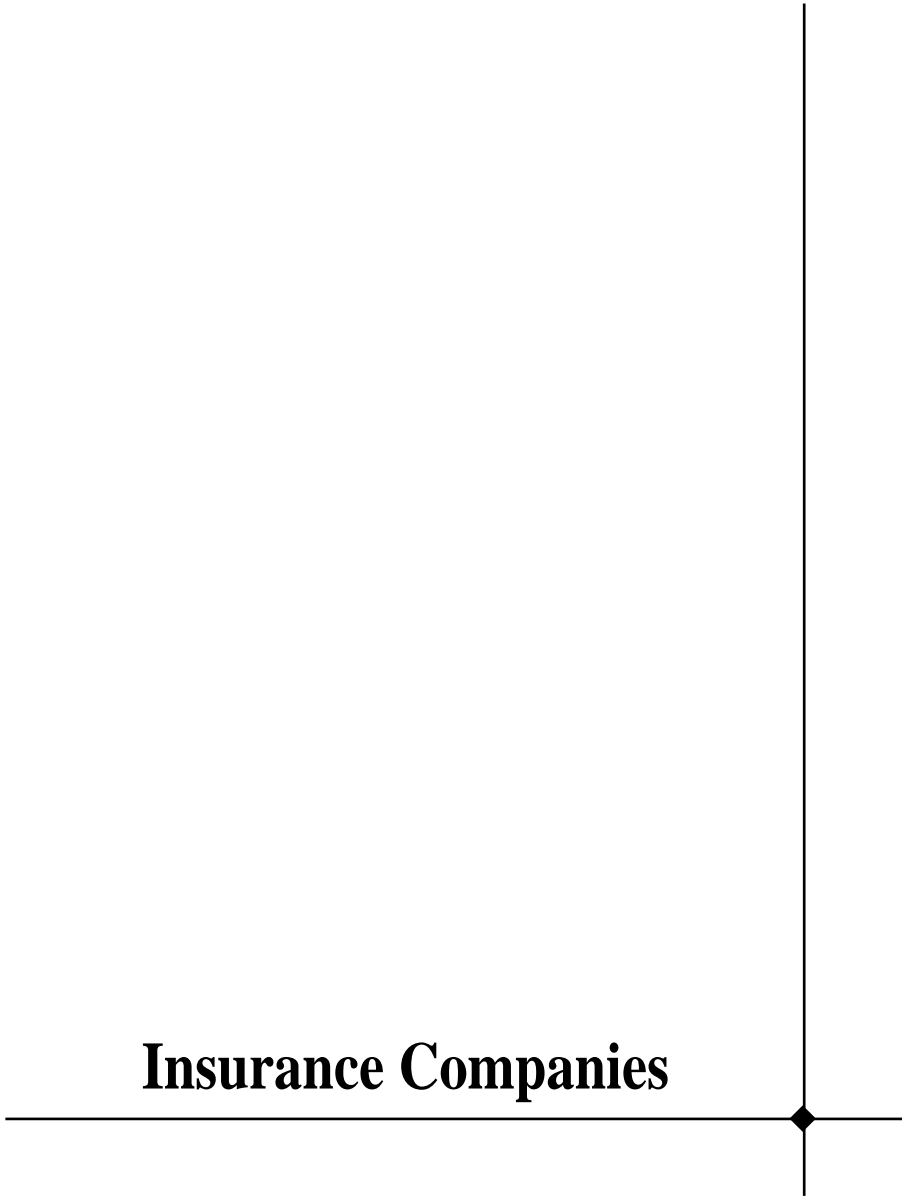
credits occupied about 54.0% of the total average of exchange companies' assets in the period from 1992-2000 and the remaining was distributed on other uses. The share of cash balances; used to finance the daily transactions of these companies during the same period, was about 21.0% on annual average. As to other assets including fixed assets, they were about 25.0% in average of the total assets in the same period.

**Table (14)**  
**Combined Budget for Money Exchange Companies Operating in**  
**the State of Qatar during the Period 1992-2000**  
(in million Qatari riyals)

Description	1992	1993	1994	1995	1996	1997	1998	1999	2000
Cash in the safe	31.5	31.4	32.2	30.9	38.3	40.0	45.1	37.9	31.5
Credits in banks	113.4	76.8	82.0	74.1	72.9	81.4	92.6	88.4	90.6
Credits in exchangers and branches	7.2	7.1	3.7	4.4	4.2	3.2	8.3	5.7	3.5
Fixed assets	9.4	8.9	10.7	11.8	14.3	7.7	9.7	7.1	6.9
Other assets	40.2	30.2	37.2	42.6	31.4	30.5	26.0	29.2	25.7
Assets = liabilities	201.7	154.4	165.8	163.8	161.1	162.8	181.7	168.3	158.2
Capital and reserves	45.2	45.7	46.0	46.9	49.5	50.8	57.1	58.6	65.3
Bank accounts	118.9	77.0	81.4	73.7	70.2	76.6	91.0	61.9	52.7
Accounts for branches and exchangers	8.3	11.1	14.1	14.2	11.4	10.8	8.7	7.8	11.5
Other liabilities	29.3	20.6	24.3	29.0	30.0	24.6	24.9	40.0	28.7

**The Banking  
& Financial  
System in  
the State  
of Qatar,**

**Insurance Companies**



### **Insurance Companies:**

The insurance sector is considered one of the essential constituents of the financial and banking system. It has become more responsive to economic and social developments in the State of Qatar, as it was greatly influenced by the intersections of various sectors and by the relations of these sectors with the external economy. The need for insurance grew considerably as the complex needs of modern life increased; particularly, the economic activities due to the phenomenal increase in averages of risk and loss.

Insurance services diversified to include various types of risks; such as, insurance against accidents, fires, marine insurance, health insurance and others. The insurance activity expanded to cover non-commercial risks like insurance against political risks like confiscation, appropriation and wars and so on.

Insurance companies play a decisive role in insuring constructions despite the fact, that a great number of such contracts are also reinsured abroad due to great susceptibility of risk because of small local markets and little size of resources. Local insurance companies gain a reasonable margin of commission on these contracts, in addition, to other benefits gained from these insurance activities. In this connection, insurance companies do in fact contribute to the increase of development rates of GDP through its positive influencing on levels of investment and employment. The 1990s witnessed the establishment of one new insurance company; which is the Islamic Insurance Company in 1994, and with this the number of insurance companies increased to eight, four of these were nationals and the other four were branches to Arab and foreign companies as shown in table (15) below:

**Table (15)**  
**Insurance Companies Operating in the State of Qatar**

<b>Company Name</b>	<b>Nationality</b>	<b>Year of Establishment</b>	<b>Capital</b>
Qatar Insurance Company	Qatar	1964	100,000,000 Qatari riyals
Qatar General Company for Insurance and Reinsurance	Qatar	1978	30,000,000 Qatari riyals
Gulf Insurance Company	Qatar	1978	24,000,000 Qatari riyals
The Islamic Insurance Company	Qatar	1994	20,000,000 Qatari riyals
Arab Insurance Company Limited	Lebanon	1966	2,500,000 Lebanese lira
Swiss-Lebanese Insurance Company	Lebanon	1966	15,000,000 Lebanese lira
Egyptian Ahliya Insurance Company	Egypt	1969	750, 000 Egyptian pound
Atlas Insurance Company	England	1966	2,750,000 US dolar

### **The Consolidated Balance Sheet of National Insurance Companies:**

Due to absence of information related to budgets of all insurance companies operating in the State of Qatar, we will have to limit ourselves to only an analytic consideration of the most prominent developments that the figures of the consolidated balance sheet of national insurance companies show. The details have been taken from the individual budgets published by each of these companies during the period from 1992-2000.

The data shown in table (16) show that the total assets (liabilities) of these companies recorded a steady increase throughout the period. Assets rose from 793.3 million Qatari riyals in 1992 to 1150.2 million Qatari riyals in the year 2000, with an annual increase rate of about 5%. The economic development, the country went through as a result of executing a number of social and economic projects and the flourishing of external trade. This had its own effect on the increase of demand for insurance services from all economic sectors. With respect to liabilities, the insurance companies achieved remarkable progress in their self-resources like paid capital and reserves. These resources grew from 483.7 million riyals in 1992 to 753.4 million riyals in the year 2000. Capital and reserves constituted the main resource of funds of insurance companies and it forms on average about 64.7% of the total liabilities. Credits of technical reserves slightly increased during the years of the period from 104.5 million riyals in the year 1992 to 157.1 million riyals in the year 1998, but then these fell again slightly to 145.6 million riyals in the year 2000.

**Table (16)**  
**The Consolidated Balance Sheet of National Insurance Companies**  
**during the Period from 1992-2000**

Description	(in thousand Qatari riyals)									
	1992	1993	1994	1995	1996	1997	1998	1999	2000	
Cash balances and Deposits	267,593	221,729	225,175	221,967	235,070	299,563	333,579	296,688	256,675	
Receivables and Expenditures paid in Advance	183,187	174,481	199,288	197,411	202,986	216,722	238,277	202,896	214,963	
Clients and expenditures Paid in advance	119,180	122,639	128,281	141,110	147,968	138,518	137,396	120,522	125,923	
Liabilities of reinsurance companies	46,007	61,842	71,007	56,301	55,018	78,204	100,881	82,374	89,040	
Investments	294,191	369,310	416,576	479,011	486,103	398,861	366,385	450,232	521,670	
Fixed assets	26,869	28,920	34,758	36,561	32,563	120,565	124,965	124,431	131,194	
Other assets	21,460	21,630	18,211	15,060	14,917	7,922	12,395	23,986	25,709	
Assets = Liabilities	793,300	826,070	894,008	950,010	971,639	1,043,639	1,075,601	1,098,233	1,150,211	
Capital paid and reserves	483,737	510,923	539,473	584,093	630,568	664,400	685,664	723,709	753,397	
Payables and due expenditures	187,586	165,462	187,601	164,145	152,831	129,020	141,534	146,641	147,397	
Creditors and due expenditures	89,255	77,637	81,005	86,503	81,935	42,699	59,594	83,198	75,218	
Liabilities of reinsurance companies	98,331	87,825	106,595	77,642	70,896	86,321	81,940	63,443	72,179	
Proposed profits for distribution	11,767	36,214	42,676	51,530	30,687	53,888	59,945	42,196	55,000	
Technical reserves	104,510	107,671	117,458	141,344	143,809	150,528	157,075	146,524	145,611	
Risk reserve	45,669	46,447	55,368	68,091	60,940	69,481	70,608	61,917	63,309	
Compensation reserve	49,541	50,224	48,890	58,753	66,869	62,714	67,934	70,274	70,269	
Additional reserve	9,300	11,000	13,200	14,500	16,000	18,333	18,533	14,333	12,033	
Other liabilities	5,700	5800	6,800	8,898	13,744	45,797	31,383	39,163	48,806	



**Table (17)**  
**Total Reinsurance**  
(in thousand Qatari riyals)

Year	National Companies	Foreign Companies	Total	Total Installments	Overall percentage
1996	313246	7450	320696	510235	62.85%
1997	342208	5556	347764	564218	61.64%
1998	320498	3693	324191	544972	59.49%
1999	276335	6691	283026	479913	85.97%
2000	216507	5050	221557	423496	52.32%

In addition, the profits proposed to be distributed over the years of the period increased also from 11.8 million riyals in 1992 to 55 million riyals in the year 2000 as table (16) shows.

However, the debtor entities and due expenditures which include commitments to debtors and reinsurance companies and due expenditures declined from 187.6 million riyals in 1992 to 147.4 million riyals in the year 2000.

As far as assets are concerned, figures show that most items of the consolidated balance sheet of national insurance companies recorded an increase during the period with the exception of cash balances, saving deposits and deposits for terms; which dropped from 267.6 million riyals in 1992 to 256.7 million riyals in 2000. Investments of these companies recorded an increase from 294.1 million riyals in 1992 to 521.7 riyals in 2000; in spite of, the fall of these investments in 1998. The relative importance of investment to total assets was about 45% in 2000, compared with 27% in 1996.

Moreover, the debtor entities and the paid expenditures in advance increased from 183.2 million riyals to 238.3 riyals in the year 1998, but dropped to 215 million riyals in the year 2000. In contrast, the fixed assets doubled from 26.9 million riyals in 1992 to 131.2 in 2000.

**Table (18)**  
**Total of Installments received by Insurance Companies**

Description	(in million Qatari riyals)											
	1996		1997		1998		1999		2000			
	Value	%	Value	%	Value	%	Value	%	Value	%	Value	%
Car insurance	136158	26.69	160973	28.53	170606	31.31	154785	32.25	151444	36.76		
Marine insurance	172457	33.80	180404	31.97	137882	25.30	121610	25.34	99404	23.47		
Fire Insurance	111608	21.87	135253	23.97	150566	27.63	125406	26.13	85247	20.13		
Accident insurance	21022	4.12	24326	4.31	12555	2.30	12283	2.56	13535	3.20		
Other	68990	13.52	63262	11.21	73363	13.46	65856	13.72	73866	17.44		
Total	510235	100	564218	100	544972	100	479913	100	423496	100		
Share of National Companies	477053	93.5	529450	93.83	506747	92.98	438960	91.47	383369	90.52		
Share of Foreign Companies	33182	6.5	34768	617	38225	7.02	40953	8.53	40127	9.48		

**The Banking  
& Financial  
System in  
the State  
of Qatar,**

**Doha Securities Market**



### **Doha Securities Market:**

The law of establishing Doha Securities Market was issued on 1st of July 1995 and the number of shareholder companies at that time was 17 companies. After two years of preparation, the Market started its experimental activities. These activities included exchange of shares of the eighteen participant companies. The size of transactions in the Market in 1997 was limited to only 1317 for the period from August 1997 until the end of the year. The transactions included the exchange of about 976 thousand shares at a value of 196.1 million riyals.

The following years saw a steady increase in the activities of the Market despite, the fact that the activities were limited to exchange of shares in the secondary market. The development of the Market in the following years until 2000 can be traced as follows:

1. The number of participant companies was 20 in 1998 and then it increased to 22 in 2000 at the rate of one new company a year.
2. The number of transactions recorded great leaps during the following years as it doubled several times in one year to reach 7748 transactions in 1998 and then it doubled once again in 1999 to 13964 but it slightly decreased in 2000 to 12225.
3. The number of exchange shares rose up to 3.12 million shares in 1998 and then hit a record to reach 28.17 million in 1999. A great deal of this increase was due to the diminishing the face value of the share from 100 riyals to 10 riyals only. The number of exchange shares increased in 2000 at 12.2% to reach a level of 31.6 million shares.

4. A share price index was approved in the market from the beginning of 1998 at 100 points. The index increased by the end of 1998 to reach a level of 135.13 point with an increased of 35.13%. Due to the economic recession and the increase in interest rates, the index recorded a slight drop in 1999 to reach a level of 134.1 points and then it fell once again in 2000 to reach a level of 123.33 points.

5. The Market administration decided in 2001 to amend the index by multiplying it by (10) to make the issue easy. Then the previous figures were also changed accordingly in a backdated fashion. So, 1000 substituted 100 in the year 1997 and 1351.3 substituted 135.13 in 1998 and the same for the other years.

Up to the end of the year 2000, the companies included in the activities of the Market were 22 companies distributed over four sectors: banks (6 companies), insurance (4 companies), services (9 companies) and industry (3 companies).

It is worth mentioning here that share traded in the Qatari market is permissible only for Qatar nationals except Qtel and Al-Salam International Investment Company in which non-Qatari nationals are allowed to participate in the subscription of shares. It is noticeable that until the end of 2000 the shares of all companies were valued in the Qatari riyal except Al-Salam International Investment Company, which was valued in the US dollar. The transactions that took place in the Market were manually carried out on the exchange board in the Market.

**Table (19)**  
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<b>Description</b>		<b>1997*</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>
Bank Sector	Price of shares (in million)	113.1	636.9	608.2	299.2
	No. of transactions	557	3515	5899	4646
	No. of shares (in million)	0.312	1,384	10,682	7,561
Insurance Sector	Price of shares (in million)	11.9	61.9	57.6	35.0
	No. of transactions	50	364	485	517
	No. of shares (in million)	0.020	0.084	0.758	0.870
Service Sector	Price of shares (in million)	55.4	220.4	458.2	4741.1
	No. of transactions	475	2942	5688	5814
	No. of shares (in million)	0.535	1.378	14.035	20.850
Industry Sector	Price of shares (in million)	15.7	50.5	114.3	60.7
	No. of transactions	235	927	1892	1248
	No. of shares (in million)	0.110	0.277	2.692	2.328
Total	Price of shares (in million)	196.1	969.7	1,232.3	86.90
	No. of transactions	1,317	7748	13964	12225
	No. of shares (in million)	0.976	3,123	28,167	31,610
General Index		100	135.13	134.10	123.33

\* for five months only starting August.  
Source: Doha Securities Market.