RECENT DEVELOPMENTS

The Qatari Financial Sector: Building Bridges Between Domestic and International

Andrew M. Dahdal, Gordon R. Walker, and Douglas W. Arner[*]

1. INTRODUCTION

Neil Brenner argues we should not assume the relationship between "global cities" and the territorial State is a "zero sum"[1] game. The zero sum view is that as cities grow into hubs or nodes of global capitalism, their power increases to the corresponding diminishment of the power of the territorial State. In other words, as global commercial realities are "locked in" to the global city, the State is "locked out". The experience of Qatar — an energy-rich nation situated between the United Arab Emirates (UAE) and Saudi Arabia — provides some support for Brenner's observation.

In 2005, Qatar established the Qatar Financial Centre[2] (QFC) in Doha — the capital of Qatar — in order to transform itself into a financial hub for global capital and international firms. Qatar is one of the richest countries in the world but has a traditional and conservative cultural heritage. The QFC was therefore designed as an "onshore"[3] financial centre situated in Doha but separate from the Qatari legal system. The resulting jurisdictional separation reflects a deeper fissure in Qatari society in which Western ideas and expertise are desired (and needed), yet at the same time, there is a fear of losing Qatari cultural heritage.[4] This fear echoes the "zero sum" concept challenged by Brenner and wider

---

[*] Andrew M. Dahdal is Assistant Professor of Law, Qatar University. Gordon R. Walker is Emeritus Professor, La Trobe University. Douglas W. Arner is Kerry Holdings Professor in Law, University of Hong Kong. This article was supported by Qatar University Internal Grant No. QUUG-LAW-LAW-15/16-3. The findings achieved herein are solely the responsibility of the authors. The authors would also like to acknowledge the support of the Hong Kong Research Grants Council Theme-based Research Scheme (Enhancing Hong Kong's Future as a Leading International Financial Centre).

[1] Neil Brenner, "Global Cities, Global States: Global City Formation and State Territorial restructuring in contemporary Europe" (1998) 5:1 *Review of International Political Economy* 1, 3-4. See also Neil Brenner, *New State Spaces: Urban Governance and the Rescaling of Statehood* (Oxford: OUP, 2014).

[2] The QFC was established pursuant to Law No. 4 of 2005, "Law for the Qatar Financial Centre" ["QFC Law"].

[3] See Part 3(a) below for further discussion regarding the distinction between "onshore" and "offshore" Financial Centre's.

tensions between Islam and modernity. Nonetheless, Qatari policymakers now seek to elide the relationship between the QFC and the broader jurisdiction of the State. Rather than conceding the domination of one system over another, the reform efforts are focused upon blending and bridging across divides.

The QFC and the commercial laws of the State of Qatar have developed in parallel. For a variety of domestic economic, social and political reasons, the QFC has been quarantined from the rest of the State since its establishment. Prior to a series of reforms beginning in 2009, firms set up within the QFC were treated exactly the same as foreign firms under domestic Qatari law.[5] However, the QFC does not exist within a territorially defined jurisdiction. Rather, its jurisdictional scope is defined by the activities which its licensed entities are permitted to engage — i.e., activity-based regulation. The divide is legal and regulatory rather than physical or spatial.[6]

The QFC and the broader Qatari market have never integrated to the extent one might expect from such physically and spatially intertwined jurisdictions. Amongst Qatari firms and individuals there is a perception that the QFC is an unfamiliar entity ruled by unfamiliar laws, with the QFC a common law jurisdiction while Qatar itself is a civil law jurisdiction. This has dissuaded Qatari firms and individuals from fully embracing the potential benefits of the QFC. On the other hand, QFC firms have been reluctant to get drawn into the Qatari legal system despite the commercial opportunities available in the country.

Qatari policymakers are now attempting to bridge this regulatory divide in the hope that the domestic non-QFC financial sector will see the benefits of the global capital opportunities and expertise present within the QFC and how the QFC can attract foreign investment.[7] This article explores the regulatory landscape of the Qatari financial sector and examines current initiatives to facilitate greater integration between the QFC and the domestic jurisdiction of the State of Qatar.

2. AN OVERVIEW OF THE QATARI ECONOMY

Qatar is an economy dominated by the hydro-carbon fuel sector.[8] In 2008, the Qatari government articulated a roadmap for the future of the country in the policy document, *Qatar Vision 2030*.[9] The most significant economic shift

---

4 See Allen Fromherz, *Qatar — A Modern History* (2012) 8-9. See generally, V.S. Naipaul, *Among the Believers: An Islamic Journey* (New York: Knopf, 1981).

5 See (pre-reform) Article 18, QFC Law, online: <http://www.complinet.com/qfcra/display/display.html?rbid = 1557&record_id = 1599> accessed 4 February 2017.

6 *Cf.*, Dubai International Financial Centre (DIFC) in the United Arab Emirates or the yet to be completed King Abdullah Financial District (KAFD) in Saudi Arabia. The KAFD will be literally walled off from the rest of Saudi Arabia and have its own airport access and visa requirements.

7 Peter Alagos, "New QFC law to attract more foreign direct investment", *Gulf Times* (11 November 2015), online: <http://www.gulf-times.com/story/462477/New-QFC-law-to-attract-more-foreign-direct-investm> accessed 4 February 2017.

identified in *Qatar Vision 2030* was the need to diversify Qatar's economic base.[10] This imperative has assumed greater significance in light of the decline in petroleum and natural gas prices in recent years.[11] As a result of this strategic plan, Qatar has invested massively in education[12] and infrastructure.[13] Although the establishment of the QFC predates both the 2008 Global Financial Crisis and the current fiscal downturn deriving from the commodities cycle, its emergence was prescient in that it represents a central component of the present diversification strategy.

Apart from the energy sector, building and construction is the main industry driving the Qatari economy. Qatar is currently experiencing a boom in public and private sector construction. A significant portion of this construction is related to the hosting of the FIFA World Cup in 2022.[14] Major commercial and residential projects not directly related to the World Cup are also under development. Qatar is also seeking to develop the tourism sector in the lead up to the 2022 World Cup and beyond. An award-winning world class international airport (Hamad International Airport) was officially opened in 2014. It now receives a growing share of all international flights and transit passengers aboard Qatar Airways, now a major international airline.[15] A multi-billion-dollar deep water port (the Hamad Port) was officially opened in December 2016. Hamad Port provides the capacity required to meet an expected increase in the volume of

---

8 Oxford Business Report, online: <http://www.oxfordbusinessgroup.com/qatar-2016> accessed 4 February 2017.

9 Ministry of Development and Planning, online: <http://www.mdps.gov.qa/en/qnv/Documents/QNV2030_English_v2.pdf> accessed 4 February 2017.

10 *Ibid.*

11 "Crude Oil Prices: 70 Year Historical Chart", online: <http://www.macrotrends.net/1369/crude-oil-price-history-chart> accessed 4 February 2017. The trend in oil prices is largely mirrored in the price of natural gas (being the largest export of Qatar), online: <http://www.macrotrends.net/2500/crude-oil-vs-natural-gas-chart> accessed 4 February 2017.

12 One of the largest initiatives in education is "Qatar Foundation" (QF). QF is a higher education institution with links and local branches from some of the top universities and institutes from all over the world (including MIT, UCL, Northwestern, Georgetown and Weill Cornell), online: <http://www.qf.org.qa/about/about> accessed 4 February 2017.

13 "Infrastructure Building to Help sustain Qatar's Growth past 2022", online: <https://www.oxfordbusinessgroup.com/overview/infrastructure-building-help-sustain-qatars-growth-past-2022> accessed 4 February 2017.

14 It is estimated that Qatar is currently spending approximately $US 500 million per week in the lead up to the 2022 World Cup. The Qatari government expects to maintain this level of expenditure for the next four years. "Qatar Spending $500m a week on World Cup Infrastructure Projects" (8 February 2017), online: <http://www.bbc.com/news/world-middle-east-38905510> accessed 10 February 2017.

15 "Qatar Airways Achievements", online: <https://www.qatarairways.com/iwov-resources/temp-docs/press-kit/Qatar%20Airways%20Achievements%20and%20Awards%20-%20English.pdf> accessed 10 February 2017.

international sea trade to and from Qatar in coming years. The Port also provides large cruise liners with the ability to dock.[16]

The banking sector is an important component of the Qatari economy and is perhaps the clearest illustration of the regulatory divide highlighted above.[17] Banking is a profitable, dynamic and diverse sector in Qatar. After Africa, the Middle East is demographically the youngest region in the world.[18] In response to demographic realities, the banking sector in the Middle East is rapidly evolving through investment in technology to meet the expectations of younger populations.[19] Based on international experiences, financial technology (“FinTech”) in the region has the potential to rapidly transform the financial system in the coming years, as has already happened in China and is now happening in India.[20] Islamic banking also forms a major part of the market and has grown substantially in the past 20 years.[21] On the international front, several international banks, such as Barclays of the UK and ICBC of China, have a presence within the QFC. From the Chinese standpoint, Qatar presents a potentially important base to support financial and trade across the “Belt and Road” countries. The vast majority of Qatari-owned banks, however, remain outside the QFC environment and subject to the domestic regulatory regime of the Qatari State.[22]

3. THE QATAR FINANCIAL CENTRE (QFC)

The QFC is an onshore financial centre designed as a pillar of the multi-pronged efforts to achieve the macro-strategic goals of the State of Qatar.[23] The

---

16 New Port Project (NPP), online: <http://www.npp.com.qa/overview.html> accessed 4 February 2017.

17 Banking and Capital Markets, online: <http://www.pwc.com/m1/en/industries/banking-capital-markets.html> accessed 4 February 2017.

18 The World Fact Book, online: <https://www.cia.gov/library/publications/the-world-factbook/fields/2177.html> accessed 4 February 2017.

19 See IBS Journal (Supplement 2015), “Banking Technology in the Middle East”, online: <https://ibsintelligence.com/banking-technology-in-the-middle-east-supplement/> accessed 4 February 2017. See also, Alicia Buller, “Fintech poised to revolutionize Banking in the Middle East” (7 June 2016), online: ComputerWeekly.com <http://www.computerweekly.com/news/450297892/Fintech-poised-to-revolutionise-banking-in-the-Middle-East> accessed 4 February 2017.

20 See Douglas Arner, Janos Barberis and Ross Buckley, “The Evolution of FinTech: A New Post-Crisis Paradigm?” (2016) 47:4 *Georgetown Journal of International Law* 1271; Weihuan Zhou, Douglas Arner and Ross Buckley, “Regulation of Digital Financial Services in China: Last Mover Advantage?” (2015) 8:1 *Tsinghua China Law Review* 2.

21 Farrukh Shahzad et al, “Growth in Islamic Banking in Middle East and South Asian Countries” (2014) 1:3 *International Journal of Management, Accounting and Economics* 215-228.

22 Qatar National Bank (QNB), one of the region’s biggest banks, does have a presence in the QFC in the form of QNB Capital. The main asset management activities of QNB, however, are based in Switzerland.

main legal instrument underpinning the QFC is Law No. 7 of 2005 (amended by Law No. 2 of 2009, the "QFC Law"). The QFC Law articulates the regulatory architecture of the QFC by establishing the institutions tasked with regulatory oversight. These entities are:

1. The Qatar Financial Centre Authority (QFCA).[24]
2. The Qatar Financial Centre Regulatory Authority (QFCRA).[25]
3. The Qatar Financial Centre Companies Registration Office (CRO).[26]
4. The Civil and Commercial Court of Qatar and Regulatory Tribunal (both existing under the organizational umbrella of the "Qatar International Court and Dispute Resolution Centre" (QICDRC)).[27]

Each of these entities is examined more closely below.

The legal system of the QFC is based upon the common law.[28] Both legislative and case law sources of law apply within the jurisdiction of the QFC. For example, disputes arising from the interpretation of rules and regulations issued by the QFCRA are resolved by a judicial tribunal that relies upon common law precedents from a variety of common law jurisdictions.[29] In the 2013 employment law case of *Chedid & Associates v. Said Bou Ayash*, the Qatar International Court opined:

---

[23] See *Qatar National Vision 2030*, Ministry of Development and Planning, online: <http://www.mdps.gov.qa/en/qnv/Documents/QNV2030_English_v2.pdf> accessed 4 February 2017.

[24] Established pursuant to Articles 3-6, QFC Law. See online: <http://www.qfc.qa/en/Pages/default.aspx> accessed 4 February 2017.

[25] Established pursuant to Article 8, QFC Law. See online: <http://www.qfcra.com/en-us/SitePages/Home.aspx> accessed 4 February 2017.

[26] Established pursuant to Article 7, QFC Law. See online: <http://www.qfc.qa/en/Operate/CRO/Pages/PublicRegister.aspx> accessed 4 February 2017.

[27] Established pursuant to Article 8(3), QFC Law. See online: <http://qicdrc.com.qa/> accessed 4 February 2017.

[28] The QFC is a common law jurisdiction to the extent that common law rules are used to supplement legislation and regulations. For example, under the *Trust Regulations 2007*, Article 8 States: "The common law of trusts and principles of equity applicable in England and Wales supplement these Regulations, except to the extent modified by these Regulations or any other Regulations". Online: <http://www.complinet.com/qfcra/display/display.html?rbid=1557&record_id=5090> accessed 4 February 2017. The promotional material circulated by the QFC also advertises the legal jurisdiction as being "common law based", online: <http://www.qfc.qa/Admin/Resources/Resources/Introduction%20to%20QFC%202016%20(En).pdf> accessed 4 February 2017.

[29] See, for example, *Nazim Omara v. Al Mal Bank LLC (in liquidation)* (2010) case 09/2010, at [19]. The English Court of Appeal case of *Reigate v. Union Manufacturing Co. (Ramsbottom)* (1918), [1918-1919] All E.R. Rep. 143, [1918] 1 K.B. 592, 87 L.J.K.B. 724 (Eng. C.A.) is quoted in the judgment of the Court.

> . . . while the employment of such persons is not regulated by non-QFC law, it does not follow that the reasoning in decisions in non-QFC jurisdictions, such as England and Wales, which have been concerned with similar principles, concepts and expressions, may not be of persuasive value in interpreting and applying the QFC Employment Regulations. This is particularly the case where it appears that a QFC regulation may have been modelled on such non-QFC law. Accordingly it is for the Court to consider whether individual decisions in non-QFC jurisdictions are, or are not, of assistance in determining a question under the QFC Employment Regulations.[30]

Whilst the judicial tribunal of the QFC is not bound by its previous decisions, it has built up a body of case law that now serves as a source of guidance within the QFC.

The asset ownership and profit repatriation rules in the QFC are more liberal compared to the domestic Qatari context. Licensed entities in the QFC are permitted to be 100% foreign owned.[31] The QFC regulations also permit the repatriation of 100% of locally sourced profits. The corporate tax rate in the QFC is a competitive 10%.

Unlike the Dubai International Financial Centre (DIFC), which is a geographically delineated jurisdiction, the QFC is defined by its supervisory scope and the entities subject to its oversight.[32] As long as a QFC entity is engaging in a permitted activity and licensed by the QFC, it falls within the rules and regulations of the QFC and its defined jurisdiction.

Article 12 of the QFC Law provides some of the most important guarantees for foreign investors. Among other assurances, Article 12 guarantees that firms licensed to operate within the QFC will not be subject to nationalization, expropriation measures or restrictions on private ownership. Article 12 also guarantees the ability to repatriate 100% of locally sourced profits, freedom of recruitment and employment, and exemption from all local taxes except those determined by QFC regulations. Any entity established in the QFC does not require any further license, approval or authorization apart from that which is provided in the QFC Law and regulations.[33]

---

30 Case number 002/2013, Qatar Civil and Commercial Court (First Instance) at 3.

31 Pursuant to Article 12(5), QFC Law > .

32 Pursuant to Article 10, QFC. The original 15 permitted activities are contained in schedule 3, QFC Law. Under article 10(2), all activities must be approved, authorized or licensed as required by the relevant rules or regulations. Certain activities can also be prohibited by the Council of Ministers as being contrary to the interests of the State or public policy.

33 Article 11, QFC Law. A non-exhaustive list of 5 specific bodies is listed under Article 4: The Ministry of Economy and Commerce, The Qatar Central Bank (QCB), The Qatar Commercial Registry, The Qatar Chamber of Commerce and Industry and the Municipality of Doha. With respect to the role and function of the QCB, Article 11 has been superseded by the provisions of Law No. 13 of 2012 (the "Qatar Central Bank Law"; "QCB Law") and the establishment of the Stability and Risk Control Committee. These developments are discussed further below. Article 11 also raises the issue of QFC

Since the creation of the QFC, the interaction between QFC licensed firms and the State has been a point of uncertainty. For example, the nationality of licensed firms was unclear in the early stages of the QFC project. In 2006, it was determined that entities established within the QFC would be registered as having Qatari nationality but with important restrictions.[34] The interaction between the two legal systems also required clarification and resulted in a series of amendments in 2009 to the QFC Law. Specifically, Article 18 was amended to shed light on the interplay of legal regimes. The current wording of Article 18 is:

> i. The criminal laws of Qatar apply to QFC entities unless it can be shown that the QFC entity was acting in accordance with QFC regulations or rules. If an entity is operating within its authorized and licensed scope, it cannot be found to be in breach of any law of the State of Qatar.
>
> ii. The jurisdiction of the QFC applies, by default, to any transaction involving a QFC entity, unless the parties agree otherwise.[35]
>
> iii. Travel and visa permits for employees within the QFC are to be under the authority of the QFC Authority and shall be accepted by all State authorities.
>
> iv. Employment matters within the QFC are strictly within the jurisdiction of the QFC and its regulatory institutions.

From a legal standpoint, the QFC is a novel construction, but one with significant conceptual challenges.

(a) What is an "onshore" Financial Centre?

There is no specific and widely accepted legal definition of the terms "onshore" and "offshore" with respect to financial centres.[36] In fact, there is

---

licensed entities listing on the Qatar Stock Exchange (QSE). The QSE is under the authority of a non-QFC entity: the Qatar Financial Markets Authority (QFMA). The relationship between Article 11 and QFMA listing rules is not yet clearly defined. As of December 2016, only one QFC firm had listed on the QSE — Qatar First Bank.

34 In a letter dated 10 July 2006, the QFCA stated that although entities established in the QFC would have their nationality as technically "Qatari", they would not be entitled to the rights and privileges of Qatari citizens, such as property ownership in certain areas, online: <http://www.complinet.com/qfcra/display/display.html?rbid=1557&record_id=4444> accessed on 6 February 2017. This understanding was formalized in a guidance note issued on 25 April 2016, online: <http://www.complinet.com/qfcra/display/display.html?rbid=1557&record_id=17411> accessed on 6 February 2017.

35 The original 2005 arrangement provided that any transaction between a QFC entity and a resident of the State would be treated as if the QFC entity were established outside the State of Qatar. The original 2005 pre-amendment version can be viewed online: <http://www.complinet.com/qfcra/display/display.html?rbid=1557&record_id=1599> accessed 4 February 2017. The 2009 amended version can be viewed online: <http://www.complinet.com/qfcra/display/display.html?rbid=1557&record_id=7470> accessed 4 February 2017.

little clarity in the scope and meaning of the concept of financial centres generally.[37] The concept of an "offshore" financial centre is older and more established than the more modern manifestation of "onshore" financial centres.[38] Since their emergence in the 1970s and 1980s, "offshore" financial centres have attracted significant attention — not always positive.[39] Generally an "offshore" jurisdiction provides many advantages for businesses such as a low tax environment and low regulatory burdens. Another characteristic of an "offshore" jurisdiction is that the primary commercial activities of the registered entities are almost exclusively located outside the residential jurisdiction. Offshore financial centres have received criticism on the basis that they create opaque environments that undermine accountability and potentially facilitate criminal activity — not least of which is money laundering.[40]

The concept of an "onshore" financial centre, on the other hand, is a relatively more recent and nuanced development. Taking the QFC as a case study, the main characteristics of an "onshore" financial centre include:

1. The creation of an investment, regulatory and operational climate that is generally more attractive to foreign investment compared to other jurisdictions (including the domestic environment of the host State).

2. A specialized legal regime applying to participants that are licensed to operate within the onshore jurisdiction.

3. A parallel domestic legal system that is distinct from the onshore jurisdiction and which applies to firms operating within the State but outside the auspices of the onshore jurisdiction.

4. Exemption from the majority of domestic laws for entities licensed within the onshore jurisdiction.

---

36 *Cf.*, Donatao Masciandaro, "Offshore Financial Centres: the political economy of regulation" (2008) 26 *European Journal of Law and Economics* 307-340 [Masciandaro]. Masciandaro attempts to draw a distinction between offshore and onshore Financial Centres stemming from a "regulatory gap".

37 See Christopher Bruner, *Re-Imagining Offshore Finance: Market-Dominant Small Jurisdictions in Globalizing Financial World* (Oxford University Press 2016).

38 *The Economist*, "Special Report: Onshore Financial Centres: Not a Palm Tree in Sight" <http://www.economist.com/news/special-report/21571554-some-onshore-jurisdictions-can-be-laxer-offshore-sort-not-palm-tree-sight> published 16 February 2013, accessed 4 February 2017.

39 See Masciandaro, *supra* note 36, 308. In the early 2000s, several international fora compiled and released a so-called "blacklist" (in a name-and-shame approach) of offshore Financial Centres that did not meet international regulatory, transparency and accountability standards (i.e. IMF, OECD, Financial Stability Forum (FSF) — through the G7, Financial Action Task Force — also through the G7).

40 See Masciandaro, *supra* note 36.

5. The onshore jurisdiction is defined by the licensure status and/or conduct of participants rather than by any geographical delimitation.

The core differences, therefore, between this type of arrangement and an "offshore" jurisdiction — such as the DIFC, the original City of London or even Hong Kong in the context of China — are the issues of territoriality and possibly jurisdictional plurality. Whereas in other financial centres, a firm, trust or managed fund must be established, licensed or registered within a specified geographical zone, no such restrictions apply in the QFC. As long as the licensed entity has a presence in Qatar, and the QFCA approves of its particular premises (mainly ensuring adequacy for commercial reasons), that entity can avail itself of all the benefits accruing to participants. There are in some ways parallels with the US State of Delaware and its role as a locus of incorporation[41] or Ireland and Luxembourg in the context of the EU.

With "offshore" financial centres, the commercial activities of registered firms are nearly always exclusively outward focused. By contrast, in addition to providing a stable and attractive base for operations, the local markets in the host countries of "onshore" financial centres also have their own growing markets and opportunities. Qatar, for example, has the highest GDP per capita in the world,[42] is investing billions in infrastructure (recently deficit financed),[43] and is preparing for the 2022 World Cup, in addition to its traditional hydrocarbon economic focus. This necessarily means the QFC, as an onshore jurisdiction, is both a source of and platform for economic diversification in Qatar. In its role as a financial hub, the QFC seeks to attract firms and businesses, which represent economic diversity for the State. The QFC, however, is also a platform upon which it is hoped foreign investment can reach Qatari shores and contribute to diversification efforts. The endogenous pressures created by this schizophrenic existence have crystalized two core questions: is the QFC a part of the State and should be integrated to a greater degree? Alternatively, does the QFC represent an investment *by* the State, implying that the QFC is to be kept separate from the State?

(b) QFC Institutions

The regulatory architecture of the QFC is based upon a constellation of regulatory institutions all of which were established by the original QFC Law more than a decade ago. The QFC Law grants these institutions (and their officers) statutory immunity from civil liability arising from any acts or

41 *Cf.*, Bruner, *supra* note 37.

42 In 2016, Qatar had a GDP per capita of appoximately \$129,000. Second was Luxembourg at \$102,000, online: <https://www.cia.gov/library/Publications/the-world-factbook/rankorder/2004rank.html> accessed 6 February 2017.

43 *Reuters*, "Qatar Predicts at Least Three Years of Budget Deficits", online: <http://www.reuters.com/article/us-qatar-economy-idUSKCN0Z40RQ > published 18 June, 2016, accessed 6 February 2017.

omissions or negligence done in good faith during the course of performing or attempting to perform their duties.[44] The QFC Law empowers the various regulatory bodies to draft and implement their own rules and regulations which apply exclusively to QFC participants.[45] The Law also grants QFC institutions budgetary independence from the State and from each other.[46]

(i) Qatar Financial Centre Authority (QFCA)

The QFCA is the peak entity managing the commercial strategy and business development of the QFC. The regulatory scope of the QFCA captures all non-financial firms that are not required to be registered with the QFCRA. Entities such as law firms, consulting agencies or services firms, for example, are subject to QFCA regulation.

(ii) Qatar Financial Centre Regulatory Authority (QFCRA)

The QFCRA is the principal financial regulator within the QFC. The main objectives of the QFCRA include the promotion and maintenance of efficiency, accountability, transparency and market integrity within the QFC. The QFCRA also aims at ensuring that the QFC is a regulatory environment that is stable and safe from systemic risk.[47] The QFCRA "regulates firms using principle based legislation of international standard, modeled closely on the laws used in other major financial centres."[48] Article 13 of the Financial Services Regulations also requires the powers of the QFCRA be exercised in a manner that promotes a number of specific goals such as competition and innovation.[49] The QFCRA has the power to issue rules applying to registered firms (and waivers to those rules)

---

44 Article 16(1). The immunity does not extend to civil liability for commercial contracts: Articles 16(2) and 16(3).

45 Article 9. Schedule 2 sets out the subject matters upon which regulations and rules can be made. Under Article 9, the regulations are to be submitted to the Minister for enactment. The Minister also has the power to repeal regulations. The drafting of Article 9 strongly implies that the Minister is empowered to enact and repeal regulations independent of institutional advice from any QFC entity.

46 Article 8(5), QFC Law. Article 8(6) provides for adequate and independent State funding of all the QFC institutions. Article 14, QFC Law, also grants QFC institutions the freedom to deal with surpluses.

47 Article 12 - Objectives, *Financial Service Regulations*, online: <http://www.complinet.-com/qfcra/display/display.html?rbid = 1557&record_id = 809> accessed 6 February 2017.

48 QFCRA Publications, "A Guide to our Approach to Regulation", 2, online: <http://www.qfcra.com/en-us/publications/Documents/A-Guide-to-our-Approach-to-Regulation.pdf> accessed 4 February 2017. Keeping up with international best practice is incumbent on the QFCRA pursuant to Article 12(3)(g)(i), *Financial Services Regulations*, online: <http://www.complinet.com/qfcra/display/display.html?rbid = 1557&record_id = 809> accessed 4 February 2017.

49 Article 13 — Principles of Good Regulation, *Financial Services Regulations* online: <http://www.complinet.com/qfcra/display/display.html?rbid = 1557&record_id = 810> accessed 4 February 2017.

as well as the power to co-operate with overseas regulators (including for the investigation of financial crimes) as well as international regulatory associations.[50] The QFCRA is granted extensive enforcement powers.[51]

(iii) Qatar International Court and Dispute Resolution Centre (QICDRC)

The QICDRC is the judicial arm of the QFC.[52] It provides a legal forum where disputes between QFC entities can be resolved.[53] The judiciary that presides over the court is of an extremely high calibre and is drawn from various international jurisdictions.[54]

The Court also serves as the main regulatory tribunal in the QFC. Matters concerning administrative decisions and those that involve any of the QFC authorities are subject to the jurisdiction of the regulatory tribunal.[55]

4. THE DOMESTIC REGULATORY LANDSCAPE

In the domestic non-QFC Qatari financial jurisdiction, three important institutions play a central role in governing how business is done. Article 11 of the QFC Law identifies, in a non-exhaustive list, five Qatari government bodies that *do not* have any jurisdiction over QFC licensed entities. The safe harbour created by Article 11 has, in recent years, been breached. The Qatar Central Bank Law (Law No. 13 of 2012) ("QCB Law") has enhanced the power of the QCB as the preeminent oversight body for the Qatari financial sector. This is discussed further below.

The main non-QFC institutions, apart from the QCB, that exert some influence on the shape and structure of the Qatari financial sector are the Ministry of Economy and Commerce[56] (MEC) and the Qatar Financial Markets Authority[57] (QFMA).

---

[50] Article 20 — International relations and co-operation, *Financial Services Regulations*, online: <http://www.complinet.com/qfcra/display/display.html?rbid=1557&record_id=10270> accessed 4 February 2017. On 17 January 2017 the QFCRA was approved as a full signatory of the International Organisation of Securities Commissions (IOSCO), online: <http://www.qfcra.com/en-us/latestnews/Pages/QFC-Regulatory-Authority-approved-as-full-signatory-to-the-IOSCO-MMoU.aspx> accessed 4 February 2017.

[51] The manner in which enforcement powers are exercised are comprehensively discussed in Policy Statement 2012-02, online: <http://www.qfcra.com/en-us/publications/PoliciesandGuides/PolicyStatements/Enforcement%20Policy%20Statement%202012.pdf> accessed 4 February 2017.

[52] Established pursuant to Article 8, QFC Law.

[53] Jurisdiction of the Court established under Article 8(3), QFC Law.

[54] Including the President of the Court, there are 12 judicial officers associated with the Qatar International Court. Four are English, one Scottish, one German, 1 Singaporean, one New Zealander, one Cypriot, one Indian and two Qatari. The registrar is English. Of the 12 judges, two are female and ten are male.

[55] Article 8(2)(c), QFC Law.

The MEC is the main executive government body that approves and allows commercial entities to be established and operate in Qatar. The MEC has endeavoured to streamline the registration and set-up process (particularly for foreigners) for investing and starting a business in Qatar.[58] The desire to expedite and simplify the process of foreign investment in Qatar is evident from the recent establishment of a ministerial level committee tasked with weeding out inefficiencies and deadweight.[59] The role of the MEC is crucial to the establishment of any commercial entity in Qatar. In the context of the financial sector, however, its role is largely administrative in that it does not set any detailed rules or regulations.

The QFMA is the main securities regulator in Qatar. It oversees Qatari financial markets and any transactions involving securities. The largest financial market in Qatar is the Qatar Stock Exchange (QSE or the "*Bourse*"). Corporate governance rules, listing requirements and other corporate regulations applying to listed companies all fall within the responsibilities of the QFMA.[60]

The QCB, however, is the ultimate regulator in the financial sector. It governs banking practices[61] as well as, more recently, all insurance practices taking place within the State of Qatar.[62] Reforms enacted in 2012 have now granted the QCB an even greater influence over all financial operations in Qatar. The QCB Law of 2012 established the "Financial Stability and Risk Control Committee"[63] (discussed further below). The creation of this new oversight body raises serious questions about the independence of the QFC.

---

56 Sometimes referred to as the "Ministry of Business and Trade" (MBT).

57 Established pursuant to Law No. 8 of 2012, *Qatar Financial Markets Authority Law* (replacing Law No. 33 of 2005) ("QFMA Law").

58 "Qatar push to attract foreign investors", *Gulf Times*, online: <http://www.gulf-times.com/story/506310/Qatar-push-to-attract-foreign-investors> published 7 August 2016, accessed 4 February 2017.

59 "Single window project to help investors launched", *Gulf Times*, online: <http://www.gulf-times.com/story/524906/Single-Window-Project-to-help-investors-launched> published 16 December 2016, accessed 4 February 2017.

60 Established in 1995, it currently has 44 listed entities.

61 "Instructions to Banks — September 2013", *Qatar Central Ban*k, online: <http://www.qcb.gov.qa/English/Legislation/Instructions/Pages/BankInstructions.aspx> published September 2013, accessed 4 February 2017. The QCB regulates 18 banks that are registered in Qatar (seven national Qatari majority owned banks, four Islamic banks and seven foreign banks), online: < http://www.qcb.gov.qa/English/SupervisionApproach/LicensingAndRegistration/Documents/Banks_Directory_Dec2014_En.pdf> accessed 4 February 2017.

62 Articles 93-103 (Chapter two), QCB Law. See also, QCB decree issued on March 30, 2016 on all matters pertaining to the insurance sector including licensing, risk management, accounting and auditing reports, prudential requirements <http://www.qcb.gov.qa/English/News/Pages/-Insurance-Sector-.aspx> accessed 4 February 2017.

63 Article 115, QCB Law. As far back as 2007 there were announcements that the QFCRA, the QCB and the securities regulator would be amalgamated in to a super regulator,

5. TOWARDS JURISDICTIONAL INTEGRATION?

As stated, the problem that currently besets Qatari policymakers is one of divergent, spatially overlapping, legal regimes within the unitary State. The core challenge, therefore, is the marriage of a modern ultra-liberal regulatory framework (the QFC) with the more traditional, restrictive and controlled legal system that exists in the State of Qatar. This conundrum poses significant challenges as the two regimes appear as the proverbial "odd-couple". The QFC operates under a common law legal system whereas Qatar has a civil law heritage. Furthermore, the main language used in regulating the QFC is English, whilst Arabic is generally the only language permitted in State courts in Qatar.

In a state such as Qatar, where governance is relatively centralized and efficient, change can happen quickly if there is the will to change. Integrating the regulatory frameworks between the QFC and the domestic Qatari jurisdiction, would be, in legal terms, quite simple. It could be accomplished with a single signature. It is the political, economic and social pressures as well as the logistical difficulties associated with integration that prevent greater cohesion. The banking sector is a prime example of this phenomenon.

The banking sector is one of the most prominent and dynamic industries in Qatar. The QCB has permitted 18 banks to operate domestically. The Qatari market for banking services is small but extremely lucrative given the high GDP per capita. It is also saturated. Qatari banks are now starting to expand their operations abroad in order to grow their businesses[64] and have even started to merge.[65] Competition from international banks based in the QFC is extremely undesirable from the perspective of the domestic Qatari banks. As such, the QFC has a policy (or has had a policy imposed upon it) that restricts the operations of QFC-regulated banks to private banking for high net worth individuals, investment banking and corporate/wholesale banking.[66] This is one of the most extreme examples of the political and economic pressures working *against* greater integration between the broader Qatari market and the QFC. A similar interplay of market pressures can be seen in the field of legal services.[67]

---

online: <http://www.legal500.com/c/qatar/developments/3958> published June, 2008, accessed 4 February 2017.

64 "QNB eyes Southeast Asia after beating expansion goals", *Gulf News*, online: <http://gulfnews.com/business/sectors/banking/qnb-eyes-southeast-asia-after-beating-expansion-goal-1.1975413> published 8 February 2017, accessed 19 February 2017.

65 Aarti Nagraj, "Qatari Bank Merger Will 'Rebalance' the Market", online: <http://gulfbusiness.com/qatari-bank-merger-will-rebalance-the-market-moodys/> published 21 February 2017, accessed 22 February 2017.

66 "Restructuring of Qatar's banking and financial clusters", online: <http://www.legal500.com/c/qatar/developments/3958> published June 2008, accessed 4 February 2017. This is despite the permitted activities under Schedule 3 of the QFC Law explicitly stating that "banking of whatever nature" being permitted.

67 Sarah Townsend, *Arabian Business*, "Qatar's QFC Introduces Ban on New Law Firms", online: <http://www.arabianbusiness.com/qatar-s-qfc-introduces-ban-on-new-law-

Restrictions also exist on the ability of international law firms licensed in the QFC to represent clients in domestic legal matters before State courts.[68]

QFC firms have access to the Qatari market, although embarking on transactions in a very different jurisdiction is not necessarily an attractive proposition. There is an understandable reluctance on both the part of foreign QFC firms as well as Qatari firms to get mixed up in legal relationships and possibly disputes in jurisdictions they do not understand. In 2009, Article 18 of the QFC Law was amended to provide for choice of law. Each counterparty, however, has a natural predilection towards its own legal environment. An example of the fear that permeates the thinking of non-QFC parties is related to the issue of costs being awarded in litigation. Justice Dohmann of the QICDRC stated (in a personal interview) that there is an inaccurate perception among non-QFC parties that they do not want to be drawn into the QFC legal system because legal costs are always awarded against unsuccessful litigants.[69] Potential litigants therefore maintain the view that the awarding of costs in Qatari State courts is much more lenient towards unsuccessful litigants than within the QFC legal environment.

Since 2005, in an effort to prevent the QFC from becoming a jurisdiction that is "offshore" in all but name, a number of reforms have been implemented with more changes expected.

(a) Law Reforms and the QFC

In February 2017, Qatar enacted a new Arbitration Law (Law No. 2 of 2017).[70] The new framework will come into force 30 days after being published in the official government gazette.[71] The introduction of the new law elevates Qatar to the position of being the first Gulf state to implement the UNCITRAL Model Law in its domestic onshore jurisdiction. Various other aspects of commercial arbitration in Qatar are also significantly clarified through this new regime.[72]

---

firms-584632.html> published 5 March 2015, accessed 7 February 2017. This ban was in response to a perception that the market was "saturated" with legal service providers. Two years later, international law firms are leaving Qatar as work seems to have dried up: Anna Ward and James Booth, "Clifford Chance to Close Qatar Base as Head Office Relocates to Dubai", *Legal Week*, online: <http://www.legalweek.com/sites/legalweek/2017/02/06/clifford-chance-to-retrench-in-middle-east-with-qatar-office-closure/> published 6 February 2017, last accessed 8 February 2017.

[68] "How to practice in Qatar", *The Law Society (UK)*, online: <http://communities.lawsociety.org.uk/international/regions/africa-and-the-middle-east/qatar/how-to-practise-in-qatar/5044584.fullarticle> accessed 7 February 2017.

[69] See Article 33, *The Qatar Financial Centre Civil and Commercial Court Regulations and Procedural Rules,* online: <http://www.qicdrc.com.qa/sites/default/files/s3/wysiwyg/qfc_civil_and_commercial_court_regulations_date_of_issuance_15_december_2010_0.pdf> accessed 11 March, 2017.

[70] This much-anticipated piece of legislation repeals and replaces Articles 190-210 of the *Civil and Commercial Code of Procedure Law* (Law No. 13 of 1990).

[71] As of March 2017, the law has yet to be gazetted.

The duality of the Qatari legal framework discussed in this paper continues to cast its shadow even upon this most recent of legal reforms. The law establishes a category of legal tribunals termed "Competent Courts" as forums capable of exercising certain supervisory judicial powers over certain arbitral matters. Parties are given the option to elect either a QFC court or a Qatari State court.[73] In cases where parties have failed to elect either one of the two distinctly different judicial systems, no guidance is provided by any of the provisions of the new law. The default jurisdiction is unspecified and it is uncertain whether a QFC court could even accept jurisdiction over matters involving non-QFC entities.

One of the most significant and anticipated legal reforms aimed at promoting closer intra-State jurisdictional ties is the drafting of a new QFC law aimed at harmonizing elements of the parallel financial systems. Commenting on the proposed new QFC Law (which is yet to be released) and the greater co-ordination being sought between QFC and non-QFC authorities, the CEO of the QFC, Yousuf Mohamed al-Jaida, stated: "We are also looking into developing the regulatory framework with the government . . . [t]here are a lot of efforts on the ground with the QCB, QFMA, and QFC to enable a "best-in-class" regulatory framework in Qatar."[74]

The new QFC Law has been in the works for several years with its release date being pushed back several times. Elements of the draft law, however, have made their way into the public discourse and public discussion.[75] Subsequent paragraphs are based upon these public comments.

The central feature of the mooted reform package is a broadening of the judicial reach of the QFC. Currently, a QFC entity must be involved in a legal dispute for the jurisdiction of the QICDRC to be invoked.[76] The 2009 reforms to the QFC Law, made the jurisdiction of the QFC the default forum for the

---

72 For example, the enforceability of arbitration agreements, nullification and enforcement of arbitral awards and enhanced jurisdiction for Qatari courts to provide interim relief. Under Article 11 of the new law, Arbitrators are granted a general immunity except where there is bad faith involved in their conduct, collusion or gross negligence. This is in contrast to the recent amendments to the *Penal Code* in the UAE (Article 257) which introduced criminal liability for Arbitrators for acting "contrary to the principles of fairness and impartiality". The first Gulf state to introduce a modern arbitration law was Saudi Arabia in 2012.

73 The two relevant tribunals being the Qatar Court of Appeal (state court, with a specific arbitration section) and the Qatar Financial Centre Court of First Instance (QFC Court). A "Competent Court" has the power to grant interim measures, supervisory (curial) remedies and the enforcement and recognition of awards.

74 Peter Alagos, "New QFC Law to attracted more foreign direct investment", *Gulf Times*, online: < http://www.gulf-times.com/story/462477/New-QFC-law-to-attract-more-foreign-direct-investm > published 11 November 2015, accessed 4 February 2017.

75 See, for example, Zain Al Abdin Sharar, "Qatar International Court: An Update on Enforcement" 17 November, 2016, Lexis Nexis Qatar Business Law Forum, St. Regis Hotel, Doha, Qatar.

76 Article 8(3)(c) (clause1) — (clause 4), QFC Law.

resolution of disputes unless the parties agreed otherwise. Despite this reform, it was still a minimum requirement that at least one party was a QFC-licensed entity. The new QFC Law goes further by expanding the scope of justiciable matters to include any dispute where the parties have elected the QICDRC as their forum of choice — even if that dispute is completely unconnected to the QFC or any QFC entities.[77] One of the main objectives of both this proposed reform and the enactment of the new Arbitration Law is the enhancement of the judicial workload of the QICDRC, as well as the stature and reputation of the QFC as a leading regional financial centre. This reflects similar developments in Singapore and Dubai as well as competition from other centres such as London and Hong Kong.

An area of law reform that has been conspicuously absent from any of the reform discussions is the regulation of inter-jurisdictional mergers and acquisitions. Currently, the law provides that if a QFC entity seeks to grow beyond the jurisdictional "borders" of the QFC through the acquisition of entities registered by the MEC in the domestic Qatari jurisdiction, the acquired entity does not receive and cannot enjoy any of the advantages of the QFC. In a QFCRA Guidance Statement dated 26 April 2016, it was noted:

> 6. Should any company or entity incorporated or established in the QFC wish to acquire an ownership interest in a company or entity incorporated or established under the Commercial Register at the Ministry of Economy and Commerce ("MEC Registered Entity"),
>
>   a. the acquisition and ownership interest shall remain subject to the provisions of any applicable laws of the State governing investment within the State, including The Foreign Capital Investment in Economic Activities Law No. (13) of 2000 (as amended); and
>
>   b. the MEC Registered Entity shall remain subject to any applicable provisions of the Income Tax Law No. 21 of 2009 (as amended).
>
> 7. Should any company or entity incorporated or established in the QFC wish to acquire an ownership interest or usufruct right in any land within the State, such ownership interest or usufruct right shall remain subject to the provisions of the land ownership laws of the State.

Pursuant to this arrangement, the jurisdiction of the QFC and that of the State remain separate even in the face of growth and cross investment, with different legal entities subject to differing legal and regulatory systems. Allowing QFC entities to carry and extend their benefits (with approval) to target companies can only contribute to greater investment and the harmonization of jurisdictional difference in a more measured and organic manner.

---

[77] Non-QFC parties can agree, either in their original contract or subsequent to a dispute, to submit their matter to the QICDRC. The commercial onus would consequently fall upon the QICDRC to effectively market its jurisdiction.

(b) Listing on the Qatar Stock Exchange (QSE)

Another strategy being pursued by policymakers for the integration of the QFC with the broader Qatari economy is the encouragement of QFC companies to list on the QSE. As of December 2016, only one QFC-regulated company, Qatar First Bank (QFB), was listed on the QSE. Any obstacles that continue to prevent QFC firms from seamlessly listing on the QSE are currently being addressed by the QFCRA in order to enhance regulatory/compliance consistency and eliminate duplication. In the context of banks, there is the added layer of compliance with the rules imposed by the QCB. As discussed below, the QCB is now the spearhead of a new financial regulatory reality.

(c) The New QCB Law and the ''Financial Stability and Risk Control Committee''

In 2012, following international experiences and trends in the aftermath of the Global Financial Crisis, the new QCB Law vested the QCB with the ultimate authority to oversee financial stability in the State of Qatar.[78] This included an expanded (but uncertain) influence over the QFC. What has emerged is a somewhat opaque arrangement where the genuine independence of the QFC is, at least in this context, uncertain. According to Article 8 of the QCB Law, the QCB shall:

> . . . develop and follow-up the implementation of policies relating to the regulation, oversight and supervision of all financial services, business and financial activities that are practiced in or through the Qatar Financial Centre . . ., and to develop and follow-up the implementation of policies concerning the regulation, oversight and supervision of all financial markets in the State.

Article 115 of the QCB Law established a supra-jurisdictional body known as the ''Financial Stability and Risk Control Committee'' (''the Committee''). The Committee is chaired by the Governor of the QCB with the Deputy Governor serving as Vice-Chairman. The two remaining members of the Committee are the CEOs of the QFCRA and the QFMA. The QCB therefore occupies two of the four board positions on the Committee. The stated purpose of the Committee is to enhance the co-operation of the QCB, QFCRA and QFMA in the field of financial regulation. Under Article 116 of the QCB Law, the Committee is charged with:

i) identifying and assessing risks to the financial sector and markets and recommending solutions to manage and mitigate such risks;

---

[78] Article 6, QCB law. There is still a perception, even amongst US government agencies, that the QCB does not regulate entities within the QFC, online: < https://www.export.-gov/article?id = Qatar-Banking-Systems > published 28 July 2016, accessed 4 February 2017. Whilst this is technically true, the establishment of the Committee has rendered arrangements much more nuanced.

ii) co-ordinating the work of the financial regulatory authorities in the State with a view to enhancing co-operation and information exchange in order to establish a consistent and co-operative regulatory and supervisory environment; and

iii) proposing policies related to regulation, control and supervision of financial services businesses and markets.

The Committee is permitted to make recommendations relating to financial regulation. The final decision on these recommendations, however, is reserved for the board of the QCB.[79] The most important question, therefore, is whether the QFC must adhere to and implement the decisions of the QCB. On this point, the QCB Law is silent. It does provide, however, under Article 116, that the QCB board "shall follow up their [the decisions] implementation".[80] Point 7 of a joint public statement issued 30 December 2012, by the QCB, the QFCRA and the QFMA, notes:

> . . . [w]here recommendations made by the Financial Stability Committee are approved by the Board of Directors of the QCB, the Boards of the QCB, the Regulatory Authority and the QFMA will consider what action they may need to take to implement the recommendations, taking into account their legal and regulatory mandates under their respective laws.[81]

This statement raises more questions than it answers with respect to the exact nature of the relationship between the QCB and the QFCRA and QFMA. The statement continues under point 8:

> . . . [t]he QFMA and the Regulatory Authority remain independent regulators under the management and direction of their respective Boards of Directors in accordance with the Law regarding the Qatar Financial Market Authority (Law No.8 of 2012) ("QFMA Law") and the Qatar Financial Centre Law (Law No.7 of 2005) ("QFC Law"). The QFMA is responsible for the regulation and supervision of financial markets in Qatar (including the Qatar Exchange) in accordance with the QFMA Law and the Regulations and Rules made under that law. Authorized firms in the QFC will continue to be subject to authorization and supervision by the Regulatory Authority in accordance with the QFC Law, the Financial Services Regulations and the Regulatory Authority's Rules.[82]

On paper, the QFC is an independent financial centre that co-ordinates its regulatory environment with the QCB. Participants and regulators within the

---

79 Article 116, QCB Law.

80 *Ibid.*

81 "The Qatar Central Bank, QFC Regulatory Authority And Qatar Financial Markets Authority Welcome New Law Regulating Financial Institutions", *QCB Media Release*, online: <http://www.qcb.gov.qa/english/news/pages/newlawpressrelease.aspx> accessed 4 February 2017.

82 *Ibid.*

QFC have no illusions, however, as to where the ultimate power resides — it is with the Board of the QCB.

6. CONCLUSION

Qatar is a country in the midst of economic and social transition. The influx of Western ideas and brands has psychologically displaced Qatari society (especially its youth).[83] There is a perpetual struggle between liberal ideas and conservative and more traditional values. The contradiction is that the country, as a whole, seeks to benefit from Western expertise without falling victim to the perceived excesses of Western decadence. In a sense, the manifest tensions between the QFC and the broader Qatari financial regulatory environment reflect a deeper struggle that is being played out in nearly every context of Qatari society and perhaps even more broadly in the Islamic world.

Faced with these particular circumstances, the fundamental question is: how can these two legal systems be woven more closely together in a way that maximizes the benefit to the nation as a whole without undermining the legal norms and controls that are so important to the Qatari government? This paper has examined initiatives directed at resolving this dilemma and identified a number of challenges. If policymakers are overly zealous in subordinating the QFC to domestic control, much of the confidence and reputational capital accumulated by the QFC since 2005 will be lost. Alternatively, allowing the QFC to continue on its own path disconnected from the rest of Qatar and its economic framework will widen the chasm in financial regulation between the QFC and the broader Qatari market. By strengthening and expanding the reach of judicial institutions within the QFC, improving the ability of QFC entities to access Qatari funds through the QSE, and through the establishment of the Financial Stability and Risk Control Committee, Qatari policymakers have taken concrete steps. But which way are they walking? Are they drawing QFC firms out into the broader regulatory environment, or are they encouraging Qatari firms to buy in to the QFC and all of its promise? The answer seems to be the middle path.

The trajectory of the changes in the financial regulatory architecture of Qatar is tending towards greater harmony and unification. If regulations in this sector are successful, and the differences between "free trade" and the more protectionist domestic Qatari markets are overcome, the financial sector may serve as model for other parts of the Qatari economy. The QFC is not the only "free enterprise" zone in Qatar. The Qatar Science and Technology Park and Qatar Industrial Free Zones are also regulatory oases providing investors with familiar investment environments.

The challenge of unifying different bodies of rules within a single jurisdiction is not new. In modern political terms this problem is mirrored, to a certain extent, in countries organized in a federal structure (e.g. Germany, Canada, Australia and the US). Federalism seeks to unite multiple jurisdictions within a

[83] Allen Fromherz, *Qatar — A Modern History* (2012), 8-9.

greater nation State. Although the QFC may have legal qualities imbuing it with independence, it is far from a sovereign entity such as Ireland or Luxembourg within the EU. Its jurisdictional structure is also different from the "One Country, Two Systems" model of Hong Kong within China, in which Hong Kong is a separate legal jurisdiction but treated as something in between foreign and domestic in many cases.[84] In some ways the QFC is closer to Delaware but remains a creation of the State, perhaps more akin to discussions of special economic zones (SEZs) or more recently regulatory sandboxes.[85]

Traditional federalism thus may not be an exact analogy through which we can understand the Qatari context. Elements of federal relations, however, might be instructive. Instruments such as standing committees, law reform agencies and intergovernmental agreements are all common to federal polities. Even though the QFC is a different political animal altogether, some of the lessons of federalism might be illuminating in terms of the current brand of intra-State tensions and relations in Qatar.

The legal transplantation literature provides another possible lens.[86] Under this framework, foreign legal concepts, laws, institutions and legal systems are imported into a jurisdiction, typically for purposes of modernization and economic development. Models are usually taken from the leading systems of the time (e.g. the UK, France, Germany, US, Japan, EU, and China). In some ways, the QFC can be seen as a foreign legal transplant but one that remains separate and distinct from the host legal system. The QFC is in fact a legal transplant but one that does not interact with the domestic Qatari legal system, thus limiting its impact and possible conflict with that system. With the blurring of boundaries between the two, the QFC has the potential to interact with the domestic jurisdiction, altering the nature of both. The end result would potentially be a replacement of certain existing elements of the Qatari legal system (resulting in a traditional transplant), albeit one achieved over an extended period of time rather than with typical suddenness. Once again, the effect would be similar to that of the SEZs in China, in that successful approaches are gradually spread throughout the country — eliminating both the specialness and the zone — albeit without the Chinese approach of geographical limitation. In some ways, this was arguably even the intent of the "One Country, Two Systems" framework for Hong Kong, with the hope that eventually the Hong Kong system would spread to cover the rest of the country. It would also be similar to that of the City of

[84] See generally, Douglas Arner et al., *Financial Markets in Hong Kong: Law and Practice*, 2nd ed., (Oxford: Oxford University Press, 2016).

[85] See Douglas Arner, Janos Barberis and Ross Buckley, "FinTech, RegTech and the Reconceptualization of Financial Regulation" 37 Northwestern Journal of International Law and Business [forthcoming 2017].

[86] See e.g. Gordon Walker and Alma Pekmezovic, "Legal Transplanting: International Financial Institutions and Secured Transactions Law Reform in South Pacific Island Nations", (2013) 25 New Zealand Universities Law Review 1.

London, originally a separate, geographically limited jurisdiction but now one which has effectively become the core of the UK legal system.

The end point of this transitional chapter in Qatar's history is unknown. If the tensions can be articulated and understood, however, at least the journey will be more stable and the outcomes more fruitful.