

Steady steps forward for Qatar



QATAR

By Amjad Hussain

As the crisis between the GCC remains unresolved, the adverse impact of the crisis and the blockade on Qatar cannot be ignored. It was recently reported that Qatar's credit rating has been downgraded by the international rating agencies (S&P, Moody's and Fitch) and Qatari banks have been asked to seek borrowing and funding from the international banking market. However, Qatar has and continues to exert every effort to minimize and limit impact of the crisis on the Qatari economy and continues to take steady steps forward.

The governor of Qatar Central Bank, Sheikh Abdullah Saoud Al Thani, has stated that the local banks are capable of facing any possible 'abnormal conditions' resulting from the siege imposed on the country. He proclaimed that the Qatari banking system is strong and efficient with deposits in the banks being in excess of QAR39.3 billion (US\$10.43 billion).

Perhaps the key development that occurred recently was the opening of

Hamad Port, the largest port in the Middle East, in Doha. The port will eventually cover around 20 sq km and will have an annual capacity of 7.5 million shipping containers, and separate terminals dedicated to general cargo, cereals, vehicles and livestock.

As an update on the proposed tripartite merger between Masraf Al Rayan, Barwa Bank and the International Bank of Qatar, it was recently announced that the merger is in its final phase of concluding the legal and financial studies, as noted by Barwa Bank's CEO, Khalid Al Subeai. He also noted that once the studies are completed, the report will be submitted to the board of directors and the shareholders. The banks will jointly announce the merger after the legal and regulatory procedures are completed.

Qatar Islamic Bank has signed a QAR1.6 billion (US\$424.54 million) financing deal with AlJaber Engineering (JEC) to support JEC's current project to execute the design and construction of strategic food security facilities and warehouses at the newly opened Hamad Port. The project consists of specialized facilities for the processing, manufacturing and

refining of rice, raw sugar and edible oils. These products will be available for local, regional and global use. One more feature of the project will be a specialized facility for the recycling of waste products arising from the processing of basic commodities to create animal feed.

Qatar National Bank announced that its London branch has received the approvals of the Prudential Regulation Authority and the Financial Conduct Authority for its regulated home finance license designed to assist individual customers with buying property in the UK. QInvest's income-generating Ijarah fund, which provides investors access to income-generating assets in developed markets, was oversubscribed.

As we now head to the final portion of the year, it is expected that activity will pick up again in the Qatari banking sector. It is hoped that the impact of the ongoing GCC crisis on the Qatari economy and banking sector remains minimal and the market continues to operate as normal.⁽⁵⁾

Amjad Hussain is a partner at K&L Gates. He can be contacted at Amjad.Hussain@klgates.com.

The proposed Philippine Islamic Financing Act



THE PHILIPPINES

By Rafael A Morales

The Philippines might finally have a general legislative framework for Islamic banking and finance. This will become a reality if the pending Senate Bill No 668 is enacted by the Congress of the Philippines as the Philippine Islamic Financing Act. The explanatory note to the bill highlights three major challenges facing Islamic banking and finance in the Philippines, namely: (1) the lack of a clear regulatory framework, (2) scarcity of experts and (3) low public awareness concerning Islamic banking and finance.

Under the proposed Philippine Islamic Financing Act, the Bangko Sentral ng Pilipinas (BSP), the central bank of the Philippines, is expressly mandated to authorize the establishment of Islamic banks, as well as the opening of Islamic units within conventional banks. Currently, there is only one Islamic bank in the country (Al-Amanah Islamic

Investment Bank of the Philippines (AIIBP)), and there are no Islamic units within conventional banks. This situation exists, despite the fact that Subsection 3.2 of the General Banking Law of 2000 recognizes Islamic banks, as defined in Republic Act No 6848, otherwise known as the Charter of AIIBP, as a distinct class of banks.

One can already glean from the pluralized reference to Islamic banks a legislative intent for the BSP to allow the establishment of other Islamic banks apart from AIIBP. Yet, the then BSP governor Amando Tetangco said at the Islamic Banking and Finance Workshop held at the BSP on the 11th March 2014 that the General Banking Law of 2000 "does not provide for the creation of other Islamic banks". This statement flies in the face of Section X101(b)(6) of the BSP's Manual of Regulations for Banks, which contains an enumeration of services that can be provided to customers of Islamic banks.

With the aforementioned mandate to the BSP in the proposed Philippine Islamic Financing Act, there can be no doubt that the BSP can authorize the establishment of other Islamic banks in the Philippines, in addition to AIIBP. Furthermore, the proposed law states that the BSP "may also authorize banks primarily engaged in conventional banking to engage in Islamic banking arrangements, including structures, transactions and practices, through a designated Islamic banking unit within the bank".

The primary purpose of Islamic banks, according to the proposed law, is the promotion and acceleration of socioeconomic development in the country "by performing banking, financing and investment operations and by participating in agricultural, commercial and industrial ventures based on the Islamic concept of banking".⁽⁶⁾

Rafael A Morales is the managing partner of Morales & Justiniano. He can be contacted at ramorales@primuslex.com.