

QFC gears up to be a captive hub

The **Qatar Financial Centre** (QFC) is gearing up to become a competitive captive hub as it targets to release this month the final rules for its own captive regime. **Mr Akshay Randeva**, Director, Strategic Development at QFC Authority, shares that QFC is now in talks with various companies looking to set up captives in the Middle East.

By **Manuelita Contreras**

QFC has recently made a key progress in its quest to develop a competitive captive industry by publishing the draft rules for a captive regime. The QFC Regulatory Authority is now finalising the “Captive Insurance Business Rules 2011” and aims to publish the final rules this month, at which point the QFC captive regime will be in force.

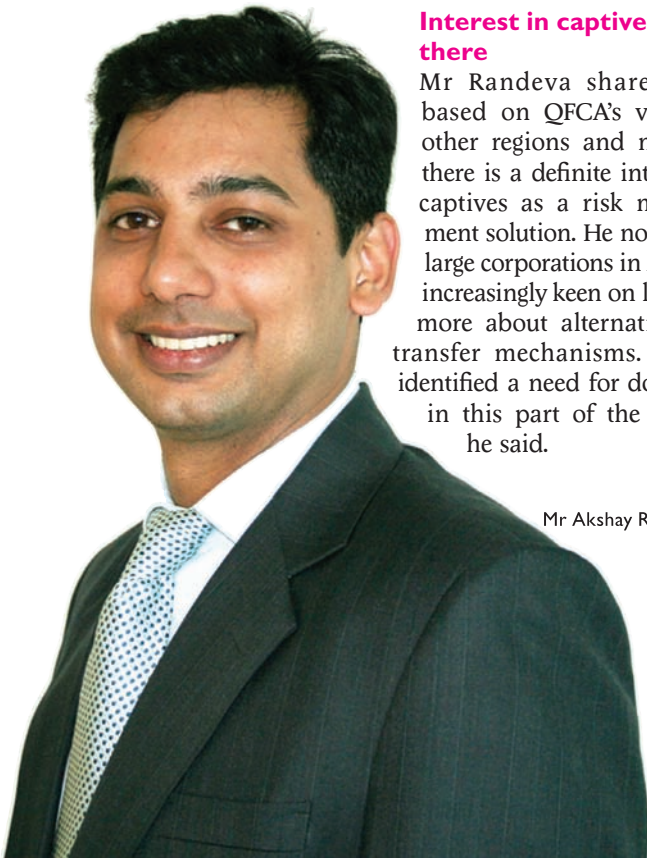
By first developing a captive regime, QFC aims to offer a transparent, fair, appropriate and competitive environment from which companies can domicile a captive. The financial centre, said Mr Randeva, is taking a staged approach to establishing a captive hub to ensure the sector’s development will be sustainable and will contribute to the Qatari economy.

The proposed regulatory framework stipulates the use of risk-based model for solvency requirements and the setting of new minimum capital requirements and a more comprehensive classification of captive classes. It also specifies the introduction of letters of credit as eligible capital and a separate rulebook for insurance intermediaries, among other things.

Interest in captives is there

Mr Randeva shared that based on QFCA’s visits to other regions and markets, there is a definite interest in captives as a risk management solution. He noted that large corporations in Asia are increasingly keen on learning more about alternative risk transfer mechanisms. “We’ve identified a need for domiciles in this part of the world,” he said.

Mr Akshay Randeva



An ideal platform

QFCA’s meetings with companies in the US, Europe and Asia have likewise yielded interest in Qatar from certain parties and it is now in discussion with various players looking to establish captives in the Middle East, he said.

He believes Asian companies with significant operations in the Middle East will look favourably on the possibility of establishing a captive and that QFC will be an ideal platform from which they can accomplish this because of its location and its growing economy.

Given Qatar’s proximity to Europe, Asia and Africa, he said the country offers an ideal location from which businesses can conduct insurance activities that require coordinating with companies and individuals across the world. And Qatar is also one of the fastest growing economies across the globe – its real GDP expected to expand by 15% this year, following an estimated 17% growth in 2010.

Mr Randeva added that the country is investing heavily in education and infrastructure. QFC and Qatar, he said, boast an attractive financial infrastructure, including a tax friendly regime, 100% foreign ownership and an ideal legal environment to provide a solid foundation to grow business.

Growing the sector a top challenge

Nonetheless, he acknowledged that the captive sector has its challenges and foremost among them is ensuring its growth. “Globally, there’s a significant number of captives being set up every year, and therefore appropriate talent and expertise in the management, establishment and even supervision and control of captives are under pressure,” he said.

That said, he pointed out that this creates opportunities for established firms with the right expertise, or those that are able to adapt quickly to market demands.

A challenge particular to the Middle East is the lack of awareness of captives by players like risk managers, CEOs, CFOs, lawyers and consultants. The region, he said, needs pioneering captives to highlight the benefits they offer. “We’ve already seen a few government-owned enterprises establishing captives, but we do need a few more of these large companies to establish captives that will encourage more captive managers and ancillary service providers to relocate to the region.”

Qatar itself has one captive manager so far and has yet to licence a captive, with its captive regime only recently developed. “(But) we have significant aspirations for the second half of 2011 and 2012,” said Mr Randeva. ■