

Small and medium enterprises in Qatar



By Fouad El Haddad

Small and Medium Enterprises (SMEs) are material to Qatar's National Vision 2030 which has set up a number of strategic goals, including building a well-diversified economy. This sector has previously been considered weak, however, legislative initiatives have been put in place to drive it forward. The new approach focuses on stimulating services for SMEs, supporting diversification and creating employment opportunities for men and women in the national work force.

A Qatar Authority for the Development of SMEs (the Authority) was established by The Emiri Decision No.(17) of 2011 (Emiri Decision). Article (4) of the Emiri Decision describes the Authority's responsibility for encouraging the development of the SME sector in Qatar. It is mandated to put a strategy in place to encourage growth for these enterprises by providing them with technical assistance and coordinating with banks and governmental institutions for the purpose of financing and marketing projects.

SME venture market

The Qatar Exchange (QE) is creating a junior bourse for SMEs, the QE Venture Market, to assist in the development of this sector. The QE Venture Market will be dedicated to SMEs who, by definition, have little or no 'track record' and have, therefore, a higher risk profile. Nonetheless, in a sector where interest is growing and access to capital is increasingly required this will give SME owners an opportunity to be listed on the bourse in accordance with lighter and more flexible regulations than for a full listing, while giving finance resources for growth and expansion.

On January 17th, 2012, QE announced the readiness of the technical and regulatory infrastructure dedicated to the QE Venture Market to receive listing applications submitted by business owners from Qatar and the Gulf Corporation Council (GCC) countries and to give information on the listing criteria and trading rules.

Companies listed on the QE Venture Market will benefit from the same regulatory safeguards as those afforded to main market companies, but it will be readily identifiable as a separate and dedicated marketplace.

Listing requirements for SMEs

Listing on QE, or 'going public', is the process by which shares in a previously privately owned company are offered to the general public. In Qatar the initial public offering (IPO) process is governed by Qatar's Commercial Companies Law Number (5) of 2002 as amended and is regulated by the Qatar Financial Markets Authority (QFMA).

In the same way, SMEs operating through the medium of joint-stock companies (also known as Qatar Shareholding Companies (QSC)) must satisfy various requirements. The minimum subscribed share capital is QR 5 million Qatari riyal (approx. US\$1,372,600) and a minimum of 50 percent of the nominal value of that share capital must be paid-up (100 percent required in the case of an IPO). There is also a minimum number of 20 shareholders. A one year track record of core business is a requirement as are issued audited financial statements for that year. Most importantly for any foreign investor is that non-Qatari companies are eligible to list and the reporting language is dual English/Arabic. A listed SME must satisfy, amongst other requirements, ongoing disclosure and periodic disclosure requirements.

In addition to the QFMA Listing Rules and the QE Rulebook, companies on the QE Venture Market are required to adhere to specific elements of the Corporate Governance Code published by the QFMA. The Code is a set of rules designed to deliver efficient, effective and entrepreneurial management that contributes to the Board discharging its duties in the best interest of shareholders.

Note: All Qatari Laws (save for those issued by the QFC to regulate its own business) are issued in Arabic and there are no official translations, therefore for the purpose of drafting this article we have used our own translation.

Clyde & Co LLP

Qatar Financial Centre, West Bay, Doha, Qatar

PO Box 31453

Tel: (974) 4496 7434

Email: fouad.haddad@clydeco.com.qa

www.clydeco.com