

# Qatar – the ongoing diplomatic crisis: What do you need to know?

On 5 June 2017, the United Arab Emirates (UAE), Bahrain and Saudi Arabia announced a severance of diplomatic ties and closure of transport links with Qatar, swiftly leading to a number of measures being imposed on Qatari nationals and entities.

The situation continues to develop and businesses should be aware of the practical obstacles which may affect them, whether or not they are dealing directly with Qatari businesses or with Qatar generally.

## Overview

### Are these measures political or legal in nature?

The situation is currently fluid, and appears to be driven by varying policies and legislative measures amongst the countries which have cut ties (or otherwise downgraded diplomatic relations) with Qatar.

On 9 June 2017, the UAE government published Resolution No. 18 of 2017 (the Resolution) which contained a list of 59 individuals and 12 Qatari-linked entities ('specially-designated nationals' or SDNs) which it has designated as terrorist organisations and individuals. The Resolution purportedly stipulates that *"all regulatory bodies shall monitor and restrict any individuals or entities affiliated with any financial, commercial, technical or any other relationship of any kind with the names mentioned in the attached list, and take the necessary procedures in accordance with the laws in force in the State."*

### What are the general measures?

- Travel bans** – Qatari diplomats have been given 48 hours (14 days for Qatari nationals) to leave the UAE, Bahrain and Saudi Arabia (although measures are being put in place for 'joint-families' with Qatari spouses). Travel to and from Qatar has been banned for UAE nationals. Egypt thus far has not imposed a restriction on movements. Expatriates from Qatar will not be eligible for Emirati visa on arrival.
- Closure of airspace and ports** – the UAE, Saudi Arabia, Egypt and Bahrain banned Qatari airline carriers from their airspace, with the UAE extending this to include all foreign airlines to and from Qatar. Saudi Arabia and Bahrain have closed ports to Qatari vessels, the UAE has banned all vessels to and from Qatar, while Egypt has banned Qatari-flagged ships but allows access to the Suez Canal.
- Revocation of licenses** – Saudi Arabia has cancelled all licenses to Qatar Airways and its

employees and ordered the closure of offices. There are no reports of other Qatari-linked businesses having their licenses affected thus far.

- Blocked access to Qatari channels and websites** – online and television access to prominent Qatari businesses, such as Al Jazeera, Qatari Airways and Beln Sports, have been blocked in the UAE and Saudi Arabia.

### Countries which have cut ties (to varying degrees) with Qatar

- UAE
- Bahrain
- Saudi Arabia
- Egypt
- Jordan
- Yemen
- Libya
- Maldives
- Mauritania
- Chad
- Senegal
- Comoros
- Djibouti
- Eritrea
- Niger

5. **Freezing of trade** – the UAE has stopped sugar exports to Qatar, although currently there are no known restrictions on other exports or imports. Qatar's supply of LNG to the UAE continues as usual.
  6. **Use of social media** – government officials, including in the UAE and Bahrain, have cautioned that 'expressions of sympathy' with Qatar on social media or through other means will attract 'strict action'. In the UAE, penalties include imprisonment between 3 to 15 years and a fine of not less than AED500,000.
- CB licensees must provide the CB with confirmation that they have complied with Notice 156 (using the email address [amlscu1@uaefiu.cb](mailto:amlscu1@uaefiu.cb) for banks and [saleh.aldhahri@cbae.gov.ae](mailto:saleh.aldhahri@cbae.gov.ae) for other financial institutions), within the 3 day deadline.

#### Notice 157

- CB licensees are required to implement and undertake Enhanced Customer Due Diligence (EDD) measures to identify potential terrorist financing for any accounts or transactions involving the listed Qatari banks until further notice.
- CB licensees need to provide the CB with confirmation that they have implemented the necessary EDD as well as a weekly report on any findings.

### What is Enhanced Customer Due Diligence?

The CB Notices do not specify what EDD involves, but examples could include the following measures:

- Obtaining and verifying additional information relating to:
  - Identification of the customer and any beneficial owner;
  - The intended nature of the business relationship;
  - Reasons for a transaction; and
  - The customer's source of funds and wealth.
- Updating Customer Due Diligence information more regularly.
- Increasing the degree and nature of monitoring the business relationship, in order to determine whether transactions or activities appear unusual or suspicious.

## List of designated Qatari Banks

- Qatar Islamic Bank
- Qatar International Islamic Bank
- Barwa Bank
- Masraf Al Rayan
- Qatar National Bank
- Doha Bank

- Obtaining the approval of senior management to commence a business relationship or to undertake a transaction for an existing customer.

### Application in financial free zones?

The Dubai Financial Services Authority (DFSA) issued a letter on 12 June, requiring regulated entities in the Dubai International Financial Centre (DIFC) to comply with the CB Notices. The Abu Dhabi Global Market (ADGM) Financial Services Regulatory Authority (FSRA) has published similar guidance mirroring the CB Notices.

## Frequently asked questions (FAQS)

### Territorial scope of the CB Notices?

Technically, the territorial scope of the CB Notices would only apply in the UAE and would not apply to any overseas booking centre or to the head office of a regulated entity in the DIFC or ADGM. However, the requirements relating to EDD in Notice 157 will impact offshore

## Financial Institutions

### What do financial institutions have to be aware of?

On 9 June, the UAE Central Bank (CB) issued Notices 156 and 157 of 2017, requiring CB-licensed financial institutions to undertake certain actions in relation to the SDNs and certain listed Qatari banks, in compliance with the Resolution.

#### Notice 156

- CB licensees must check existing customer accounts, deposits, investments and other financial instruments against the list of SDNs and freeze identified accounts and related transactions.
- If there are identified SDN accounts, CB licensees must provide a detailed report to the CB, including account opening forms, account statements and source of funds information etc.

entities with a local presence in the UAE if the local UAE branch or subsidiary is involved in a transaction with one of the listed Qatari banks.

The reporting requirements in Notices 156 and 157 only apply to the client relationships and transactions and activities of the UAE-based entity and would not apply to the UAE-based entity's foreign head office or other branches or group companies. However, the foreign head office or other branches or group companies would need to consider their local anti-money laundering/counter-terrorism financing obligations in light of the risk of possible terrorist financing.

### **Do accounts held with the listed Qatari banks need to be frozen?**

There is no obligation to freeze or close any accounts with Qatari banks unless there is suspected terrorist financing or the account belongs to an SDN.

### **Can UAE financial institutions continue to do business with the listed Qatari banks?**

Yes. However, EDD should be applied in relation to any transaction with the banks and any client's transactions with the banks.

### **Can you make or receive ordinary course payments?**

There are no restrictions, unless an SDN is involved. However, we were informed that Central Banks in the UAE, Bahrain, Saudi Arabia and Egypt have stopped dealing with the Qatari Riyal, and the Saudi Arabian Monetary Agency has told banks in Saudi Arabia not to process payments

denominated in Qatari riyals. Therefore, there may be issues or delays with payments, particularly as banks may be implementing further diligence procedures.

### **If my DIFC/ADGM branch is not involved in a transaction with a listed Qatari bank, does it need to apply EDD?**

No. If the branch's head office deals with one of the listed Qatari banks, without any involvement by the DIFC/ADGM branch, this is outside the scope of Notices 156 and 157.

### **Do I need to freeze SDN accounts booked outside the UAE?**

Technically no. Notices 156 and 157 do not apply to non-UAE financial institutions operating outside the UAE. However, such financial institutions should consider what action they need to take under their national laws and regulations.

### **What are the penalties a financial institution could face for non-compliance with Notices 156 and 157?**

Substantive non-compliance could lead to severe sanctions by the UAE onshore or financial free zone authorities. This could include, in the most serious cases, withdrawal of the financial institution's licence and/or fines. There may also be possible criminal sanctions for non-compliance under Article 18 of Federal Law No.4 of 2002 on Anti-Money Laundering and Combating Financing of Terrorism (as amended).

### **Will delays or impacts to supply chains constitute a force majeure or MAC event?**

Careful analysis must be given to 1) whether there are force majeure or material adverse change provisions in the contract, and 2) whether such provisions adequately capture current events within the relevant definition.

### **What's next?**

We are closely monitoring the situation for further clarifications from government bodies and can help you keep up to date with developments and mitigate risks posed to your businesses.

## Key contacts



**Matthew Shanahan**  
Counsel

T: +971 4503 2723

E: matthew.shanahan  
@cliffordchance.com



**Andre Abou Aad**  
Senior Associate

T: +971 4503 2685

E: andre.abouaad  
@cliffordchance.com



**Robin Abraham**  
Managing Partner, Middle East

T: +971 4503 2609

E: robin.abraham  
@cliffordchance.com

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Clifford Chance, Level 15, Burj Daman, Dubai International Financial Centre, P.O. Box 9380, Dubai, United Arab Emirates

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