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UPDATE: Qatar Diplomatic Crisis - How it may impact you in Saudi Arabia, the UAE and Egypt

Since Saudi Arabia, the United Arab Emirates, Bahrain and Egypt cut diplomatic ties with Qatar on Monday 5 June 2017, and moved to close off access to the Gulf country, there have been a few developments.

Since our [previous alert on 7 June 2017](#):

1. The **Kuwaiti Minister of Foreign Affairs** has confirmed that Qatar is willing to listen to Gulf concerns.
2. **Senegal** has joined nations cutting ties with Qatar and is recalling its ambassador, bringing the number of nations to 11 (the others being Saudi Arabia, UAE, Bahrain, Egypt, Libya, Yemen, Mauritania, United Nations of Comoros, Maldives and Mauritius). **Jordan** has revoked the license of Doha-based TV channel Al Jazeera.
3. **Airlines** continue to be affected: Australian carrier Qantas has banned Qatari nationals from flights to Dubai.
4. Qatar has not issued any **travel ban** for its nationals, and has not asked Saudi, Bahraini or UAE nationals to leave Qatar.
5. **Shipping**: Like the UAE, Saudi Arabia and Bahrain, the Egyptian government has banned all vessels carrying the Qatari flag from passing through Egyptian ports. Shipments from the US or the EU to Qatar are not prohibited.
6. This has further impacted the **oil and gas sector**, particularly with LNG trade and Qatar being the world's biggest LNG producer - at least one tanker has had to change course and UK gas prices have spiked. Nevertheless, analysts do not see an interruption in supply in the LNG market.
7. **Markets** are still jumpy: Last week, Qatar's stock market shrank by about US\$11 billion in value and the Doha index tumbled 7.1 percent, while the Qatari riyal has been falling on worries of capital outflows.
8. The regional **Central Banks** have started to respond: the UAE Central Bank issued instructions for freezing accounts, deposits, investments of designated terrorists, terror organisations, and increased "know your customer" requirements for dealings with certain Qatar-based banks. Bahrain has taken similar measures. The Saudi Arabian Monetary Agency has ordered lenders in the country not to increase their exposure to any Qatari clients.
9. **Standard & Poor's** Global Ratings lowered its long-term rating on the State of Qatar to 'AA-' from 'AA' and placed the rating on CreditWatch with negative implications.
10. Saudi Arabia, UAE, Egypt and Bahrain issued a list of individuals and entities linked to Qatar over terrorism.
11. **Turkey** has approved bill allowing troops to be deployed in Qatar and approving an accord between the two countries on military officer training cooperation, and Qatar is in talks with Iran and Turkey to secure

food and water supplies.

12. **Saudi Arabia, the UAE and Bahrain** announced that exceptions for some Qatari residents ordered to leave the three countries will be considered for humanitarian causes. Qataris married to their Saudi, UAE or Bahrain citizens will be exempt from the order. The **UAE and Saudi Arabia** have set up a hotline to assist Qatari citizens affected by the boycott.

Q1: Have the UAE, Egypt or Saudi Arabia issued any legislation detailing the measures taken against Qatar?

A. Save for the government statements published in the press, to the best of our knowledge, the boycott has not been supported by decrees and/or legislation defining procedures, limitations, thresholds and options.

On 9 June, the UAE Council of Ministers issued Resolution No. 18 of 2017 designating 59 individuals and 12 entities as terrorists or terrorist organizations. The resolution requires all supervisory authorities to identify all individuals or entities having any financial, commercial, or technical or any other kind of relationship with those designated terrorist or terrorist organizations. A full copy of the resolution is not yet publically available.

Q2: What are the ramifications of this boycott on the banking system and financial markets?

A. In the UAE: In implementation of the resolution of the UAE Council of Minister, the UAE Central Bank issued two notices requiring all banks, finance and investment companies operating to do the following:

1. Search for and freeze any accounts or deposits or any other financial instruments and reporting the existence of any credit facilities, safe deposits boxes and any transfers performed through any of those institutions from the date of opening any such account by the designated terrorist or terrorist organizations.
2. Immediately implement “enhanced customer due diligence” over all the activities conducted with a number of Qatari banks namely: Qatar Islamic Bank, Qatar International Islamic Bank, Barwa Bank, Masraf al Rayan, Qatar National Bank and Doha Bank. The notice states that these Qatari banks were involved in transactions with the designated terrorists and terrorists’ organizations. Enhanced customer due diligence could entail questioning the source of funds, reasons of any transactions, among other things.

In Saudi Arabia: We understand that Saudi Arabia’s central bank has ordered lenders in the country not to increase their exposure to any Qatari clients. Saudi Arabian Monetary Agency (SAMA) also told banks licensed in the country that they should not process any payments denominated in Qatari riyals. The order to refrain from increasing exposure to Qatar is being applied to include treasury investments, loans, letters of credit and trade-finance facilities. However, other press reports state that money transfers between bank accounts in Saudi Arabia and Qatar will not be affected, and SAMA has declined to comment on the press reports or provide any further information. As far as we are aware, SAMA has not made these orders publicly available.

In Egypt: The Central Bank of Egypt has issued a press release confirming that Qatari Riyal is an official currency used in Egypt and that there are no restrictions on dealing in Qatari riyals or exchanging Qatari riyals into any other currency.

The press release reinforced that QNB Al Ahly Bank (which took over NSGB in Egypt in 2014) is an Egyptian joint stock company, licensed and supervised by the Central Bank of Egypt and continues to service all its customers, without any disruption. The press release also stated that the financial position of QNB Al Ahly Bank is strong.

It is important to note that halting banking transactions in Egypt would only apply to those transactions involving individuals or entities designated as supporting terrorism (by a court order or decree). Typically, the Central Bank of Egypt issues a list designating such individuals/entities addressed to all banks operating in Egypt restricting transacting with those individuals or entities.

Q3: Our headquarters (based in Cairo, Dubai and Riyadh) have ongoing contractual agreements with Qatari companies (public or private). What is the impact of the boycott on these agreements?

A. The boycott does not legally prevent companies headquartered in the countries that have cut ties with Qatar from continuing to do business with Qatari public or private companies and honor their ongoing contractual obligations.

The current impacts may be practical in nature. In the long term, it may become logistically or financially cumbersome to perform contractual obligations in Qatar.

For instance, in the UAE, any banking operations will be subject to the enhanced customer due diligence process if effected through one of the Qatari banks listed in the notice of the UAE Central Bank. Also, in the UAE, Saudi Arabia and Egypt, increased shipping costs will apply as a result of the change of shipping routes.

For those companies with ongoing contractual agreements or anticipating entering into agreements with Qatari companies in the short term, it is necessary to assess the financial exposure associated with possible delays or increased cost and potentially contractual breaches and events of default.

Q4: I am a business owner in Egypt and have attested a number of official documents by the Qatari Ministry of Foreign Affairs. The official documents will be used in Egypt and I need to attest them by the Egyptian Embassy in Qatar. Now that the diplomatic mission has been withdrawn, how can I attest the official documents? Would the Egyptian MOFA accept an attestation?

A: The Egyptian Ministry of Foreign Affairs has indicated that the Greek embassy will be entrusted with the Egyptian diplomatic and consular affairs in Qatar. This should include the attestation and certification services; however, this remains untested.

Q5: I am an Egyptian involved in a transaction with a Qatari investor. How will I be affected?

A: There are currently no restrictions on investments between Qatar and Egypt. However, in practice, Qatari investors may potentially face difficulties from a practical standpoint in obtaining certain approvals and consents, in particular, those related to national security.

Q6: Can Qatari vessels pass through Egyptian ports? What if the vessel is not carrying the Qatari flag but Qatar is the final destination?

A: Reports stated that the Egyptian government has banned all vessels carrying the Qatari flag from passing through Egyptian ports. According to the statement of the Egyptian Ministry of Transportation, the ban applies to any shipping line between Egypt and Qatar. However, we have not yet seen any decrees or directives issued in this regard so far.

Q7: Can an Egyptian national or a foreigner residing in Egypt travel to Qatar?

A: Yes. Egyptian nationals and foreigners residing in Egypt are not restricted from traveling to Qatar. However, due to the cutting of diplomatic ties between Egypt and Qatar and the closure of the Egyptian airspace for Qatar Airways, it may not be possible for an Egyptian national or anyone residing in Egypt to travel directly to Qatar.

It is important to note that in 2015, the Egyptian Ministry of Interior introduced a requirement that Egyptian nationals (from the age of 18 to 45) traveling to Qatar obtain a "security clearance" from the National Security Authority, before traveling.

We continue to monitor developments closely as the situation is subject to change without notice and will provide regular updates on significant changes.

This client alert is not meant to constitute legal advice, and as the situation is constantly evolving, specific advice should be sought from relevant professionals. Should you have any queries, please contact one of our lawyers below.

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