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He is one of the most sought after Economists in the GCC region. On a regular basis, he is being called on by host of international & regional media channels such as BBC, CNN, FOX, CNBC and Bloomberg for sharing his opinion and for seeking his expert comments on recent developments and issues in economics, banking, environment etc. He is also a visiting faculty for European University and Washington College.

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GOD'S GLOBAL GOVERNANCE

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CONTENTS

SYNOPSIS

This research material discusses the scenario prevailing in the Global economy and provides a glimpse on the effects of the global financial crisis and the significant measures taken under the theme of 'God's Global Governance'. The research touches upon various areas which require attention from macro-economic perspective and regulatory framework on account of the global financial crisis and the growing need in the establishment of Global Governance. It further discusses the challenges and the lessons learnt from the Eurozone crisis, the issues faced by the emerging economies and the measures taken by various Central Banks of Advanced Economies to protect their currencies in recent years and the implications of the initiatives. Other significant aspects covered are, the measures taken by real economies such as Qatar and other GCC countries after the crisis and the impact of Arab Spring, insights on Green economies and the importance of Governance in encouraging sustainability.

PREAMBLE

Over the last five years, the world has experienced a seismic financial shift that will be looked upon by historians and economists as the start of God's Global Governance. In late 2007, we witnessed the beginning of a cycle of economic catastrophes, driven by the implosion of the American housing market and financial liquidity-the ability of banks to lend money and provide credit. A combination of greed, mismanagement and the lack of transparency and adequate regulations to protect consumers and investors have brought us to the credit crunch that we are still reeling under and will take a long time to recover from. Every fall has a rise but the gravity and depth of the fall makes the rise tougher as the world gets going. This crisis has resulted in advanced economies struggling for revival of growth with the leading powers of the Western world failing to develop a strategy to restart liquidity and drive economic growth. As we have waited for the clouds of uncertainty to clear, a fundamental shift has taken place. In today's global economy, growth now depends on Asia and the Middle East as never before. The new world order is now in place, and we looked on in awe as known principles have shattered and new frameworks evolved.

This is not to say that the United States and Europe have lost their economic influence or their power to prevail. The US and the Europe will remain at the threshold of all activities in the global economy. However, I believe that the developed world will come out of recession only when the mighty engine of finance embarks on the seemingly impossible task of developing a sustainable future, which is bound to happen. Despite deep differences in their political systems over how to respond - an argument over whether to stimulate the economy through greater spending versus a policy of managing debt load - and in spite of Economics and Politics failing to converge, the American and European leaders are driven and will find a way forward.

In my opinion, Global GDP growth over the next decade will be divided equally between developed and developing nations, with the western world providing a steady engine of stability, and the developing countries the acceleration for reforms and the opportunity for change. The world has the potential to add US$30 trillion in GDP over the next 10 years, driven by a growing middle class in developing countries; in-depth and extensive investments in infrastructure and human capital development; and the increased provision of security for the aging and dependent population.

In addition, there exists new opportunities in the developing world for producing consumer goods, financial services, construction and defense products. As countries throughout the Middle East, Asia, and Africa lay the foundation for future generations of prosperity and wealth, developed countries should not view this as a zero-sum game. As more people increase their demand for services, consumer goods, and higher standards of living, Western companies should partake in the opportunities that will abound. It is an inclusive world order that has come into existence and nations all over the world will be a part of the growth engine that will drive the economy forward.

In 2009 while a G-20 meeting was being held in London, the world had started to realise and advocate the principles of inclusive growth. From the G7 to G8 and G20, all of the coalitions were focusing on resolving the crisis as a whole. The focus was on financial stability being restored and set in clear and precise frameworks for Sustainable Global Governance. I have always maintained that the future is where politics and economics converge, and this is exactly the principle that was being instituted.

In 2009, global banks were put through stress tests, which was essential to keep the markets in check and control the hyper fluctuations. A well-balanced, inclusive approach is essential for the proper governance of any organisation. The feel and experience of governance and transparency is something that has to be instilled in all of us as thorough professionals.

The world that we knew ceased to exist, and the crisis threw open an opportunity to build the world we want: a global economy based on transparency and ethics.

CURRENT SCENARIO

Future global prosperity is by no means assured. Systemic global risks such as resource scarcity, water security and climate change challenges are exposing the underlying fragility of our global system, and represent the next wave of crisis. The world today seems woefully unprepared to deal with the most extreme risks facing our planet. As our leaders look to the future to prepare for decades of growth, a reliable system of global governance must be implemented with a strong foundation to deal with emerging and systemic risks.

The global economy has still not recovered from the 2008 crisis. Emerging economies are now driving the growth, but there are even concerns of an impending stagnation in these nations. Advanced economies have now resorted to liquidity easing measures to resolve the crisis, however fiscal discipline is a challenge unto itself. Labor market conditions are likely to remain challenging in many of the advanced economies. Delays in the United States raising its federal debt ceiling could increase the risk of financial market disruptions, and compound a loss in consumer and business confidence. The key short-term challenge for emerging and developing economies is how to appropriately calibrate macroeconomic policies to address the significant downside risks from advanced economies.

The US Debt ceiling issue may emerge again in the last quarter of 2013. The concerns on account of possible tapering of stimulus measures by US Federal Reserve have created huge swings in the financial markets of developing economies. The risk of stagflation and financial markets volatility challenges the growth and financial stability in Asian and emerging economies. The middle-east tensions, particularly from Syria and Egypt have kept the oil price at high levels and could threaten global economic recovery

In emerging market economies, policymakers should be ready to effectively deal with trade declines and a high volatility of capital flows. If we look closely, there are definite signs that we are now in the second phase of the global financial crisis. Lessons learnt from the initial wave of the crisis should be used effectively to reduce the impact on the global economy. And this is exactly where a firm global governance framework will come into play. If a transparent and fool - proof governance system is in place, the new wave will definitely pass without causing major damage. The key short-term challenge for emerging and developing economies is how to appropriately calibrate macroeconomic policies to address the significant downside risks from advanced economies. Emerging and developing economies should also prepare themselves to address the risks impacting their financial stability arising from tapering of stimulus measures by US Federal Reserve.

The financial services industry has also been subject to more challenges such as the Anti- Money Laundering (AML) Compliance issues and the LIBOR Rigging Issue. In August 2012, there were allegations that the Standard Chartered banking unit violated US anti-money laundering laws by scheming with Iran to hide more than US$250 billion worth of transactions. In July 2012, HSBC was alleged to have acted as financier to clients seeking to route shadowy funds from the world's most secretive corners such as Mexico, Iran and the Cayman Islands etc. With globalization and the dissolution of exchange control barriers combined with more sophisticated avenues of investments like derivatives and mutual funds taking shape, tracking suspicious transactions has become more challenging. Banks and other financial institutions need to be more diligent and vigilant in monitoring these threats. Corporate mismanagement counters sound governance principles. It has to be understood that a firm can exist in the long run only with an unambiguous corporate governance framework in place.

The LIBOR rigging issue also shook the financial industry. Traders at several banks may have engaged in insider trading, and banks may have been responsible for a manipulation during the 2008 crisis, while concerned about their financial condition, which required them to pay higher interest rates to borrow from other banks. The concerns of a government bailout could have encouraged such actions. Recent developments have shown that it has become a challenge for financial institutions to prove they are not guilty. In the chapters to follow, let us recap the current global financial crisis, and see how they have resulted in various regulatory reforms in place.

RECAP OF THE GLOBAL FINANCIAL CRISIS

If we look back at the events that led to the crisis, we see that the signs of this economic slowdown were evident well before the actual onset of the real crisis. After months of concern about the exposure of financial institutions to US subprime mortgages, in July 2007, Bear Stearns prevented clients from withdrawing cash from a fund that had lost billions of dollars. In August 2007, short term lending dried up after BNP Paribas suspended three investment funds worth €2 billion because of exposure to US subprime mortgages.

In 2007, while I was raising funding through a syndicate of banks of US$350 million on the very same day when Bear Stearns refused to liquidate the fund, I wondered whether there could have been an impact on the debt procurement. Subsequently, I was interviewed by CNBC Europe and was asked about the property market in the Gulf region. I stated that the sector was going through a correction and could take a blow in the near future. I proved to be right and within the next 6 months the property market took a downward hit.

In September 2007, emergency funding was provided by the Bank of England to Northern Rock as it struggled to secure borrowings elsewhere. In December 2007, the Bank of England cut interest rates amid signals of an economic slowdown. In March 2008, JP Morgan bought Bear Stearns for £120 million, valued at £9 billion just one year earlier. In June 2008, Barclays Bank announced plans to raise £4.5 billion by issuing 1.6 billion new shares.

I was in New York in September 2008 to attend the Emerging Markets Conference, organised by J.P. Morgan. As I walked down the busy streets of New York from my hotel, I glanced around to look at the tall building of Lehman Brothers. It was, of course, the time when cracks were starting to be visible in the world's financial economy. But nothing could prepare me for the shock I felt one month later when I saw that Barclays Capital was now in the place where Lehman Brothers once stood.

A 159 year-old institution, one of the largest financial services groups in the history of the world, had collapsed and had turned a legacy of trust and experience to one of unethical corporate governance. It is hard to believe that such an institution had indulged in undue leverage for years before the issue came to light.

Ethical global governance was in dire need. I remember the same day when I dined with H.E. Yousef Hussain Kamal, Qatar's Minister of Economy and Finance and the Honorable Qatari Ambassador to the United States, and we assessed the gravity of the situation. Across the globe consumer confidence was being displaced by distress. The public private partnership model was being critically evaluated and solutions sought across the world of economics.

Since the Lehman Brothers collapse, the world has witnessed huge liquidity strains and customers have started withdrawing their core deposits. Trust in public private institutions was demolished, and banks across the globe were skeptical about lending to each other. In Europe, USA, Asia and the Middle East, financial institutions were distrustful. That is when governments the world over recognized the importance of establishing consumer confidence in public financial institutions. Governments were providing capital and supporting liquidity; guaranteeing customer deposits and interbank transactions. Hedge fund holders of private equity were disinvesting from foreign markets as the home market was under strain and the flow of hot money stopped. Even in the GCC contraction of customer deposits, a liquidity strain was visible in local and regional banks.

In September 2008, the U.S. government seized control of the American International Group Inc., one of the biggest insurers in the world, in an US$85 billion deal that laid bare the intensity of the danger that a collapse could pose to the financial system.

In September 2008, the US Treasury stepped in to rescue Fannie Mae and Freddie Mac, the two companies which guaranteed half of all US mortgages. Again in September 2008, Lehman Brothers filed for bankruptcy and became the first major financial institution to collapse since the start of the credit crisis. In October 2008, the British bank Bradford & Bingley was nationalized by the UK government, however its deposits and branch network was sold to Abbey National, owned by the Spanish Bank Grupo Santander.

In October 2008, a package was introduced by the Iceland Government to save its banking sector, and nationalize Glitnir Bank by acquiring a 75% share in the bank.

In spite of having come out with profit results earlier, H.E. Yousef Hussain Kamal, Qatar's Minister of Finance called for all the local Qatari banks to estimate the dividend payout forecast in November 2008 in order to take stock of the situation. The Qatar Government then came out with an extraordinary measure of infusing capital and taking a stake in all the banks. It stabilized the markets, which where almost 40 % down. It was truly a calculated measure with expert forecast and a highly commendable initiative.

When Citigroup was put to test it was an extraordinary revolution of risk-weighted capital stress. The global market deflection and the subprime put an enormous burden on the capital adequacy of Citigroup and resulted in TARP (Troubled Asset Relief Programme) funds from the government. The share price collapsed to less than a dollar and management reorganization took place to restructure the institutions and to reinvent this global financial conglomerate.

In December 2008, Madoff's Ponzi scheme rocked the world. In this case, global governance and global transparency were again challenged. Where was corporate governance? The transparency was questioned. In corporate terms, due-diligence must always be taken before investing. This is also applicable for lending. Infrastructure creation and overall global governance had failed. It meant that disclosure principles had failed, which also meant there was no way for the public to trust financial institutions.

It was a question of selling your name, selling your credibility and trying to garner the maximum mobilization of investments. The Madoff case was an absolute fraud. The issue remains whether individual institutions that had invested had done their due-diligence in terms of cross-functional risk management. The question was whether risk management measures were not scientific enough in listed institutions. Individuals and institutions had lost. People or institutions that had lent money had incurred a great loss.

MEASURES TAKEN

In September 2008 ,the US Federal Reserve (Fed) and various other Central Banks including the European Central bank, Swiss National bank, Bank of Japan, the Bank of England and the Bank of Canada extended swap lines needed for both term and overnight liquidity agreements.

In September 2008, guarantees for deposits and debts of its domestic banks were provided by Ireland.In October 2008, South Korea announced a US$130 billion financial-aid package to improve banks' ability to arrange overseas loans. In October 2008, the Swedish Government announced a US$202 billion rescue package to boost liquidity.

The Fed increased its monthly auction limit to US$300 billion in October 2008, up from US$20 billion when the Fed began the program. The Fed lifted its cap after raising it to US$620 billion in October2008. US$250 billion was allocated to banks in exchange for an equity stake in financial institutions in the form of senior preferred shares. The Fed cut down its target rate to 1% in November 2008, from 5.25% in September 2007. US$100 billion in stimulus checks made their way to 140 million tax filers to boost consumer spending and help grow the economy. US$4 billion went to states and municipalities to help buy and rehabilitate foreclosed properties.

The Fed began to lend an unlimited amount of money to finance banks' purchases of debt from money-market funds. The Fed then agreed to purchase up to US$69 billion in money-market debt directly. Fed stated in Oct 2008 it would loan directly to money market funds up to US$600 billion. It was extended for six months in November 2008.

In December 2008, General Motors and Chrysler received US$17.4 billion from the US Government on account of the liquidity crisis. In February 2009, the U.S. government boosted its equity stake in Citigroup Inc. to as much as 36 percent. Both the manufacturing

I believe that the global financial crisis, which had begun in 2008, has resulted in a changing face of the world. It has resulted in a global slowdown. Financial economies will slow down, however real economies will be stable. I have always maintained that there will be convergence between the two and we see it happening now.

During the peak of the financial crisis in 2008, the US Federal Reserve and the UK Central Bank planned Quantitative easing. By late November 2008, the Fed had started buying US$600 billion in Mortgage-backed securities. The quantitative easing policies undertaken by the central banks of major developed countries since the global financial crisis resulted in reducing systemic risks. The US Federal Reserve also disclosed the results of stress tests of major U.S banks in 2009 to restore confidence. Stress tests are vital to show that balance sheet components are well driven.

GAMBLING GROUNDS

Though we have not seen a solution to the global crisis, the markets have quickly risen on account of easing measures from various Central Banks. In my opinion, the Speculators have driven the financial markets and have made it their gambling grounds. If you look at real-estate and stock markets, they are pure speculation and hence not ethical. Banking should focus on lending and funding as part of ethical financing and no speculation should prevail in the framework. If you look at the global credit crunch today, the toxic assets and financial tsunami are on account of unethical economies. Financial economies have created a banking crisis, which now impacts the rest of the world. It is necessary to understand the causes of the global financial crisis and the key areas that require focus. It is time to call for global governance and consensus over how to manage risk and to see that investments or lending are an advantage for the common good. The effects were only felt later; there definitely was a root cause to this economic roller coaster.

CAUSES OF THE GLOBAL FINANCIAL CRISIS

Let us look at the causes for the financial crisis in detail. We have to analyze what the root of the issue was. In retrospect, this crisis was caused by lapses at three different levels –

1) The flawed incentives and risk concentration was not identified by regulators as they were not equipped enough. The risk arising from shadow-banking was not focused and increased leverage was also not contained either through regulation or market discipline.
2) Systemic risks in the financial system arising out of macro-economic imbalances were not measured.
3) Cooperation at the global level was not effective between international financial institutions to identify vulnerabilities.

The main factors contributing to innovation in financial services are technology revolution, legal and regulatory changes, as well as the economic environment. Improved technologies have allowed "financial engineers" to amass data, assess risks, and thereby design new products and services that can better meet the financial demands of individuals and enterprises. This contributed to securitisation of many previously illiquid loans. Fewer restrictions and low protectionism also supported innovation.

As a result of financial innovation, new business models of banks emerged. This altered the underlying economics of banking, as new financial instruments enabled credit risk to be shifted away from the originators of loans. However, securitisation also changed the nature of risks and in particular transformed credit risk into liquidity risk, then into a funding risk, and ultimately into a solvency risk.

The market environment became one of uncertainty rather than valued risk. In these circumstances, two trends emerged: it became difficult to price risk and assets, which meant that trading ceased; and banks began to hoard liquidity rather than make funds available. As a result, a substantial premium opened up between inter-bank interest rates and central bank market intervention rates.

In November 2009, I convened a conglomeration of banking and insurance professionals to discuss the gravity of the financial crisis and the challenges of global turmoil. I highlighted the current global crisis, its impact on the global economy, the financial stability of world economies and the outlook for the global economy. With world-renowned firms collapsing around the world, I was shocked to see this kind of a disaster eclipsing the financial world. The world was going through a seismic shift – governance and transparency was gaining importance as never before. I mentioned then that the world order is real and the crisis is really not limited to banks or financial institutions, but rather to the entire corporate world where rules were based on greed. The time to revamp the entire framework, and institute a new method of governance had come. I saw the crisis as an opportunity to create a better world based on sound transparency principles. I also highlighted the order of events that led to the ongoing global financial crisis; the impact of the crisis on the global economy; the impact on currency, commodity, bond, stock and property markets; the effect on the financial stability of diverse economies; the economic outlook for the economy; and the policy changes that were required at a macro-economic level and financial/monetary level. Truly, the global financial crisis is an opportunity for real commodity driven economies like the State of Qatar to showcase their fundamental strengths and come out of the crisis stronger. The crisis also brought to attention the crucial need of having sound global governance principles in place. The new world order learned the hard way that there are no short cuts to success and fame. Sustainability was the new vision for corporations.

AREAS THAT REQUIRED ATTENTION:

• *REGULATORS AND MARKET DISCIPLINE*

By increasing the amount of capital that banks are required to hold during upswings, regulators can create a buffer for banks during downturns. An international framework for provisioning is needed to deflect expected losses. Supervisors should also routinely assess compensation schemes to ensure that they do not create incentives for excessive risk-taking.

More disclosures on off balance exposure would enable regulators to assess systemic risk better.The valuation of complex financial instruments also required greater transparency. The market discipline will be strengthened from these measures. Regulation should focus on activities and not institutions as activities contribute to risks. Regulators should have been equipped to address the innovation models in financial services industry.

Credit rating agencies need to adequately assess risk, institute initiatives to reduce conflicts of interest, and improve investor due diligence. Other steps could include less reliance on ratings to meet prudential rules, and a differentiated scale for structured products.

There is a need for improving accounting by acknowledging the potential for mispricing in both good and bad times.

• ***MACRO ECONOMIC POLICIES***

Pre-crisis macroeconomic policies did not focus on systemic risks. As a result, these countries now find themselves limited in their ability to stimulate their way out of the crisis. Tax rules which encouraged debt financing should have been changed.

Policies should be brought in to rebalance savings and investment and regulation to reduce systemic risk. Monetary policy should focus on systemic risks. It is sometimes difficult to identify and then to react to an inflating bubble. However, there is a need for expanding the mandate of monetary policy to explicitly include macro-financial stability and not just price stability.

• ***GLOBAL GOVERNANCE***

Global governance is the key. Regulatory requirements should focus on global governance, global transparency and financial stability. There has to be a unified approach to the overall framework. Whether it is Basel or any other supervisory framework, we need to have a new world order and it will be sustained when we have new governance, as is the intention of the International Monetary Fund (IMF), finance ministers and central bankers. They need to correct imbalances, convert financial economies into real economies, show how real economies are going to be sustainable and thereby build consumer confidence and global trust.

Whether it is a local bank or a private financial institution, there is global and public interest at stake. Typically a good bank can afford to have a minimum of eight percent Capital Adequacy Ratio. This crisis has shown that it can be a public-private partnership and ensure consumer protection through governance and transparency. This crisis has provided an opportunity for policymakers to stand hand-in-hand with financial institutions.

I believe financial institutions are public property. In addition to shareholder money they accept customer's deposits. They need to establish public-private partnerships. Global imbalances were visible during the time that financial institutions were supported by central banks. We have seen a stock market recovery; and now is the time for discipline. We need to wait for a recovery. It is good to have supervision from regulators, but total governance and financial stability is the key.

The policy warnings at the global level should be more specific. The crisis has opened up the G8, G20 and IMF to more actively work on global issues. Leadership is needed at a global level to respond to systemic global risks. The need for Global Governance has emerged after the current financial crisis.

Rules for cross-border financial sector resolutions are needed. A credible global liquidity framework is also needed. A single regulatory body should have the responsibility for systemic stability over the major institutions, as well as critical payment and settlement systems. The regulator will enforce stringent liquidity, counterparty, and credit risk management requirements. Hedge fund, private equity and venture capital fund advisers would also have to register with the main financial regulator.

Has the world economy recovered? No. However, the developed economies that over spent have resorted to quantitative easing and increasing money supply by printing money and creating liquidity. The result of this can be seen in the stock market. Globally the stock market has recovered. We have seen QE 1, QE 2 and QE 3 introduced by the Federal Reserve since the beginning of the crisis. When easing measures were taken by the US Federal Reserve, the dollar weakened and commodities strengthened. The IMF meeting in October 2012 highlighted concerns over global economic growth mainly due to the Eurozone crisis and the U.S fiscal cliff.

The US fiscal cliff was resolved with a deal that included an extension of income tax cuts for household income up to US$450,000, expanded unemployment insurance through 2013, a rise in tax on capital gains and dividends for wealthier households, a rise in inheritance tax for individuals and couples, and a five-year extension for tax credits that help poorer and middle-class families.

Expectations on Gold

In 2009 we saw gold increasing to US$1100 dollars. Gold functioned like a currency instead of a commodity. Gold's rise in the recent years has been mainly on account of easing measures from major central banks.

While global balance and global governance are important, quantitative easing measures was one of the key stimulants that the US Federal Reserve had to resort to.

The real estate market has not yet recovered. The world at large will only recover if the G20 decisions on regulation can be implemented. Hedge fund companies need to be measured, managed and controlled. Tax evasion should be avoided and measures implemented. People are showing cautious optimism.

This crisis has compelled the western economies 'to cut their coat according to the cloth.' In the future there would be an increased emphasis on savings rather than spending, reduced trade freedom, and unexpected swings in the commodities and financial world.

The Financial Stability Board (FSB), the IMF and the Bank for International Settlements (BIS) are working on macro-prudential policy frameworks, including tools to mitigate the impact of excessive capital flow. A policy framework for systemically important financial institutions is underway. Regulation and oversight of shadow banking is being developed. The FSB and the Organisation for Economic Co-operation and Development (OECD) are working on common principles for consumer protection and risk disclosure practices for structured products. The Global financial architecture is undergoing a change with more powers being given to FSB's resources and outreach.

There aren't enough universal standards on governance; hence global governance is in dire need. Global governance and corporate governance are able to produce benefits for all. This crisis is a social crisis and not just a financial crisis. As a result of financial innovation new business models of banks emerged, which shifted the underlying economics of banking and new financial instruments enabled credit risk to be shifted away from those that gave loans. However, securitisation also changed the nature of risks and, in particular, transformed credit risk into liquidity risk, then into a funding risk, and ultimately into a solvency crisis.


March 2009

If you look at the key banking activities, one is lending and another is investing. What if we lend to microfinance, lift the poverty lines, lend for sustainable projects, and invest in renewable energies and alternatives? Financial institutions should work on lending and investing towards renewable energy. Banks should create a separate section for “Green Banking,” focusing on how to reduce carbon. Today there needs by an order, commitment and responsibility in banking for lending or investments.

What is happening in the global economy is a positive lesson. Financial economies are exotic when compared to real economies. Institutions and individuals that are living beyond their means or leveraging beyond capacity are passing on debts to younger generations. The same applies to countries and corporations. The change in the global market is real and is good for the world order. Institutions must practice good governance.

One doesn't have to look far to realize that the world is filled with infectious greed. Where is it heading? This is a problem where there is no quick solution. On account of globalization, regulation, technology and consumerism, the new world order is creating new markets and new opportunities. I look at this crisis as an opportunity for real economies to prosper, and financial economies to correct their values to become real and more ethical. People should focus on generosity and happiness. This crisis will take longer than ever for economies to be normal. People in economies such as the GCC and India know how to live for tomorrow. Developing economies such as India have to spend to stimulate their economy in a global crisis, whereas financial economies should save so they should conserve for global growth.

In Oct 2007, I was asked by CNBC what would happen to oil prices. Knowing the capacity constraints, refinery backups and downward dollar deflation, I predicted US$100/barrel for oil futures. My judgment turned out to be correct by December 2007. The weakening dollar resulted in hedging the risk on oil futures, which in turn led to the hike in the oil price. By July 2008, oil was costing US$147/barrel. A combination of factors including the dollar depreciation, demands from emerging markets, an OPEC supply management and geo-political tension in the Middle East have always been the driving force for the price of oil.

There has to be an ethical balance in global growth. The capital markets, currency markets, commodity markets and bond markets reflect huge swings because of phenomenal speculation. For example, the price of oil was phenomenally higher in July 2008. The dollar was weakening and hedging the risk by buying oil. Demand for oil futures was increasing but this was not the real demand. In 2009, after the easing measures were announced, I expected WTI oil price to go upto US$70/barrel.

Today the world is beginning to accept new governance. I personally call it God's Global Governance. I would say that financial economies will take 2-3 years to recover, depending on the political convergence and integrated measurement. Politics preceded economics before globalization, and now economics precedes over politics. This new world order is good for real economies, as they will recover in less than a year. Financial economies may take a longer time. Rich countries are getting poorer, which will allow the poor man to have better material comforts. A rich man sliding down is torture. This crisis is punishing those who had exotic means, whether it was a country, an individual, a corporation or a block of countries. Such countries are getting into correction mode.

Now aware of God's Global Governance, we should also review how the current global governance has implemented various regulatory reforms.

GLOBAL REGULATORY REFORMS

Individual regulatory systems need to be revamped in order to better monitor threats to the whole financial system. As agreed upon by the G-20 leaders, leverage should be more strictly controlled in financial firms. The revamp of risk management and accounting systems means the introduction of a "leverage ratio" that would systematically measure the degree to which financial market players have borrowed beyond their ability.

Banks should be required to increase their capital ratios in good times in order to create a cushion for future downturns. Authorities should also introduce or enforce minimum margin requirements on derivatives and other securities contracts. The so-called "value at risk" method of estimating the capital requirements of banks is also likely to be tossed out or revised.

Hedge funds that are “systemically important” should be subjected to greater regulation and oversight, as will all key financial instruments, markets and instruments. Compensation schemes to be developed taking into consideration sustainability. Improved valuation methods should prevail and greater regulation on credit rating agencies.

The Financial Stability Board was constituted by G20 which will provide guidance and expertise in the regulatory overhaul effort.Bankers' pay will be aligned with institutional performance to ensure that government-backed banks do not continue to dole out large bonuses. Regulators should be able to restructure pay so that the compensation of its highest earning staff can be reviewed annually.

A strengthened Financial Stability Board (FSB) will contribute to the development of policies and monitoring practices around the world.

Since the crisis, consumer protection has attained significant importance. Hence, we will move from de-regulation to re-regulation and thereby improve risk, governance and reporting requirements for the benefit of the customer. The G20 and other global organizations are working on various measures to protect the consumer, such as common principles of consumer protection, improving disclosure requirements, and stronger oversight regimes for credit rating agencies.

The U.S. Dodd-Frank Act established a new framework for regulatory and supervisory oversight of the over-the-counter (OTC) derivatives market, which is estimated at more than $600 trillion. According to Dodd-Frank, the Commodity Futures Trading Commission and the Securities and Exchange Commission must share regulatory and supervisory authority for OTC derivatives. The New Basel 3 rule increases the liquidity and capital adequacy requirements of banks. The Volcker Rule was enacted under Dodd-Frank Act to restrict proprietary trading.

Regulatory realignment is the solution for financial stability. Basel 3 focused on increasing the quality and consistency of capital, increasing counterparty credit risk charges, increasing the quantity and quality of liquid assets and funding profile of banks, and developing the guidelines for systemically important banks. The bank's Tier 1 capital is mostly made up of ordinary shares termed "Common Equity Tier 1". Non-common Equity Tier 1 capital is subject to strict conditions and must be capable of supporting a bank on an ongoing basis. Significant changes are also made to Tier 2 capital.

The Tier 1 capital ratio must be increased from the current 4% of risk weighted assets to 6%. The Common Equity Tier 1 ratio must also increase from 2% to 4.5%.The counterparty credit risk charges are increased by ensuring that derivatives, repos and securities financing activities that are not cleared with a central counterparty are subject to (i) much higher capital requirements for counterparty credit risk and (ii) more robust margining, collateral and disclosure requirements.

In 2013 Basel 3 had come up with revisions in liquidity coverage ratio. Banks would only have to meet 60% of the Liquidity coverage ratio obligations by 2015, and the full rule would be phased in annually through 2019. The longer time-table for applying would ensure costs are spread gradually. It will also kick-start the mortgage backed securities market**.**

The Global regulatory reforms and the transformation in global financial architecture after the crisis impacted Universal Banking Groups. Universal Banks have abandoned business and locations, through forced disposals or severe cost –cutting. They are also revisiting their strategies in business lines such as equity derivatives and fixed income. Some of them focused on asset management while others exited or rebalanced the equity business. In a world of lower leverage the old investment models don't work anymore.

Global Governance has called for a coordinated effort to stop international tax evasion, urging governments to systematically share bank data and also to measure the tax havens. Offshore tax havens have defrauded the world. There is nothing Offshore everything has to be onshore, transparency is a better perspective. Lot of unaccounted money has been hoarded in the name of offshore banking. It needs to be measured, managed and controlled. Every government has to come to terms on transparency. The automatic exchange of tax data, an approach which United States has adopted will represent a major change from the current procedures. The Foreign Account Tax Compliance Act, (FATCA) has given impetus for this new approach. Tax Havens may become less attractive Business Models.

The current realignment of the global architecture will support the achievement of one of the eight "UN Millennium development goals" to further develop an open, rule-based, predictable, non-discriminatory trading and financial system, which includes a commitment to good governance, development and poverty reduction – both nationally and internationally.

Economies need to integrate the principles of sustainable development into their policies and programs and reverse the loss of environmental resources. This will also enable such economies to achieve the UN Millennium development goal of "ensuring environmental sustainability." Countries such as Qatar have also made environmental development one of the pillars of its national vision. The financial sector can also participate by taking steps to manage climate change and mitigate global warming. The financial sector can contribute in the areas of carbon trading and green banking.

Systematically important banks have also been under focus as part of the Global regulatory reforms. Unwinding global financial institutions will be challenging. Preventing collapse of small banks are equally important. The cost of regulation should be worth to ensure sustainability in the financial system. There should be agreement on measures for cross- border resolution.With global regulatory reforms underway, the European Crisis began to unfold in 2010. The Euro crisis has also given new lessons to God's Global Governance. The United Nations should be empowered to decide on the countries rating as a part of global governance.

It was my privilege to meet H.E. Ban Ki Moon in February 2010 for a wide-ranging discussion on global governance. If we take stock of the failures of the regular metrics, we see that accountants have failed and regulations have failed. The only solution I found is to empower the UN as an unbiased entity. It should control the rating agencies. We should empower the United Nations and provide the sufficient support for a measurement mechanism, one which is fair and equitable. The necessary infrastructure and funding should be created to have global governance. As such, I expressed my thoughts during my interview on CNBC in February 2010.

EURO CRISIS

Greece accepted €110 billion of bilateral loans in May 2010. The European Financial Stability Facility (EFSF) was created by Euro member states in May 2010. As part of the overall rescue package of €750 billion, EFSF was able to issue bonds guaranteed by European Area Member States (EAMS) for up to €440 billion, subject to conditions negotiated with the European Commission, in liaison with the European Central Bank and International Monetary Fund, and to be approved by the Euro group.

November 2010

Ireland received €85 billion bailout out of which €22.5 billion came from the IMF and €45 billion came from European governments. Fiscal prudence is lost in Europe. It is not only Ireland, as it now has spread throughout the region. The same has been repeated in Greece and Portugal, with Spain not far off. Most of the large economies have a huge gross debt to GDP ratio, while the convergence criteria have been breached and the measurement mechanisms have failed.

Portugal became the third European nation to accept a financial bailout to the tune of €78 billion in May 2011.under the terms of the deal,Portugal agreed to a number of measures to incease its tax revenue and reduce spending, by cutting the public sector wage bill,freezing wages and limiting job promotion,increasing sales tax on itmes such as cars and tobacco,privatising stakes in national energy companies,selling its national airline and reducing the most generous state pensions.

In Oct 2011 Greece received another bailout worth €130 billion. As part of this agreement, Greece's private creditors had to take losses on Greek depts. The bailout was required to ease its debt burden. A default would have resulted in Greece leaving the Euro

In March 2013 Eurozone finance ministers have agreed a 10bn-euro bailout package for Cyprus to save it from bankruptcy. In return, Cyprus is being asked to trim its deficit, shrink its banking sector and increase taxes. All bank deposits under €100,000 will be secured and guaranteed by the state. Laiki Bank was restructured by splitting off its troubled assets into a bad bank. Accounts with no problem would be transferred to the nation's largest financial institution, the Bank of Cyprus.

In the European Union monetary policy is in the hands of the European central bank, However fiscal policy with national governments to impose central discipline .there were two areas which draw attention on account of this arrangement. Firstly it suffered in comparison to the US ,where the existence of a sizeable federal budget means there can be the transfer of resources within the economy, where it is more restrictive in the European union. Secondly it allowed countries to take advantage of the collective security provided by the European central bank ,but was not fully in compliance with the fiscal policy.

September 2011

The Euro is gone unless they completely converge their fiscal and monetary union. They have to either live with their current monetary union or give it up. Fiscal integration is required to get back on track. The problem for countries such as Portugal, Spain and Greece is that years of inappropriately low interest rates resulted in overheating and rapid inflation. Financial integration in the wake of the adoption of the euro contributed to strong cross-border capital flows in government debt, inter-bank markets, and the non-tradable sector. The non-tradable sector boomed and the banks' cross-border exposures were built up. The asset price bubbles emerging in the non- tradable sector were not confronted which resulted in boosting their profitability. The regulatory reforms were not sufficient to address the challenges arising from global banking. Financial markets failed to reject mounting vulnerabilities in risk premiums until it was too late for a soft landing.

Southern European countries are trapped with an overvalued currency, and suffocated by low competitiveness. Strong policy responses have successfully contained the sovereign debt and financial sector troubles in the periphery of the euro area, but contagion remains a tangible downside risk. In emerging Europe, public finances have also sharply deteriorated and banks are burdened by large numbers of non-performing loans.

Reducing fiscal vulnerabilities will be equally important, as key fiscal indicators have deteriorated more than in other emerging economies. Fiscal discipline and implementation of structural reforms is the key to prevent downside risk.

Strengthening the European Union-wide crisis management framework is critical in securing a successful overall outcome. To be effective, the bank stress tests need to be followed by credible restructuring and recapitalization programs. A second wave of bank consolidation and the prospective introduction of Basel III offer opportunities to strengthen the sector. Global Governance has to come to bring in transparency.

EMERGING ECONOMIES

In many emerging and developing economies, activity has been relatively vigorous since the crisis, largely driven by buoyant internal demand, strong economic frameworks and swift policy responses. The global scenario is changing and a new world order is emerging. There is a global shift in clout from developed economies to emerging economies. Rapid improvements in emerging market assets since the crisis have started to give rise to concerns that capital inflows could lead to inflationary pressure, or asset price bubbles. GCC countries have more than enough to meet Chinese oil needs, and it is expected that this demand will increase as economic growth increases. China and the GCC can also diversify their bilateral relations beyond oil trade.

From there, the emerging markets would lead the way. The idea of inclusive growth has evolved and it directly energises corporate governance practices globally.

India is a huge economy; hence it provides ample scope for foreign banks across various sectors. Industrial growth is expected to expand in the coming years. Sectors such as infrastructure have an immense scope. Hence, there is potential for both funded and non-funded facilities in India. However, the challenge is to determine the price of products based on inflationary trends. India has a rising middle class population and, with developments in Global retailing, the potential for retail products are immense. Indian retail customers are more technologically savvy, so constant innovation is needed to understand their needs.

In the last decade, various funds have invested into the BRIC (Brazil, Russia, India and China) countries' stocks, and the economies grew faster than America's. Currently, BRIC countries are facing numerous challenges. In India the current account deficit is under pressure and inflation is high due to high oil prices and a weakened rupee. The huge fiscal deficit is also affecting the Indian economy. The deficit issues had an impact on the rupee, which has fallen substantially in recent years. With issues yet to be sorted out such as the fiscal deficit and the current account deficit, India is at risk of stagflation.

Global banks and Indian corporations are also considering full-fledged banking operations in India. According to Price Waterhouse Coopers (PWC), banking assets of emerging nations are likely to overtake that of G7 economies by 2050, with India likely to emerge as the third largest domestic banking market in the world in the next three decades. With an encouraging regulatory framework in a growing economy, Indian players and foreigners alike should strive to obtain new licenses and also expand on new products in the coming years.

The Indian financial services sector has huge potential for global players. Inflation in India has remained quite high in recent times. India also has a huge current account deficit and a huge fiscal deficit. This deficit also impacted the rupee, which fell substantially in 2012& 2013. Capital markets also fell as a result. The key challenges for India include bringing down current account and fiscal deficit to acceptable levels, revive economic growth and keep inflation under control. A stable political scenario will give impetus to government to pass the reforms without much opposition and thereby enable India to face its economic challenges better. As industrial activity in China has weakened, the country has seen a gradual economic slowdown, especially in the base metal and industrial machinery sectors. The Chinese Central Bank recently cut rates to provide easing measures for the economy. In 2009, China was regarded to be the savior for the world economy after launching an aggressive stimulus program, which allowed it to forge ahead.

The emerging economies are witnessing significant challenges in 2013 such as slowdown in economic growth, surging inflation and huge fiscal and current account deficit. The financial markets are witnessing swings on concerns of possible tapering by US Fed Reserve. The emerging market currencies (except china) have taken a huge hit and the capital markets continue to be volatile. In June 2013 Chinese capital market collapsed on account of liquidity squeeze in their banking sector. India has also brought many measures to fight the currency volatility. The huge swings in currency market has once again revived the fears of 1997 Asian financial crisis. On the whole emerging economies have taken a back seat in 2013.

This time, hopes have dampened that the world's second largest economy will provide much support for the world's economic outlook.

The global financial crisis and the Euro crisis also had an impact on emerging economies. They recovered quickly after the global financial crisis; however they still face challenges from domestic issues and the euro crisis as well.

CURRENCY WAR AND TRADE WAR

Since the crisis, major Central Banks have taken measures to protect their currencies. During the crisis in July 2008, an export-driven China effectively pegged the Yuan 6.8 to the dollar to support manufacturers battered by the financial crisis and preserve jobs in a sector that employs tens of millions of people. In June 2010, the People's Bank of China announced that the Renminbi exchange rate will drop the peg against the US dollar and return to the pre-crisis arrangement.

In October 2011, the Japanese central bank intervened in the foreign exchange market. The dollar surged more than 4 per cent to above 79 yen as Japanese authorities intervened to buy dollars. Being an export driven economy, the strengthening of the yen could curtail its growth and hence this intervention. It had also intervened in August and March of 2011, and in September 2010.

Swiss National Bank (SNB) set a minimum exchange rate of 1.20 francs per Euro in Sept 2011 as the rising franc could pose a threat to Switzerland's economy. The Euro was trading at just above the 1.20 Swiss franc target after sitting at around 1.10 francs. The Euro also rose against the dollar. The franc's overvaluation was an acute threat to the Swiss economy and carried the risk of deflation. The Swiss franc sharply weakened against the Euro and the dollar following the announcement. The move immediately knocked about 8 per cent off the value of the franc.

Abenomics aims to expand the economy of Japan, through a combination of measures such as aggressive quantitative easing from the Bank of Japan, a surge in public infrastructure spending, and the devaluation of the yen. Bank of Japan will buy ¥7tn yen of government bonds each month with the aim of rekindling demand and pushing up prices and wages. The Bank of Japan will continue easing until inflation stabilizes at 2 percent. The Japanese yen had breached 100 against the US dollar in May 2013 and the Nikkei index had gone up close to 50% before coming down. The risk of currency war has once again arisen with the Japanese Yen weakening against major currencies in 2013.

We are witnessing swings in emerging and Asian economies currencies on account of possible tapering by the US Federal Reserve. This may have wide ranging implications on the Global trade. The Quantiative easing measures adopted by various Central banks had contributed to the currency volatility. However the withdrawal of such measures by US Federal Reserve also has increased currency volatility , particularly in the Asian and emerging economies.

US DEBT CEILING CONCERNS

The USA must resolve its gross debt to GDP ceiling – it can increase the ceiling through Congress, or reign in the fiscal deficit and live within the means of the existing ceiling. Every average citizen in the world would pay for it in some way or another.

There was an expectation of a contagion when the US was downgraded in 2011. Initially, this made the U.S dollar unattractive, and prompted global investors to shift to other currencies. Global players did not consider the Euro as a serious alternative, due to the ongoing European crisis. However, they considered the Yen as well as the Swiss franc as good bets and safe havens. The central banks also understood the impact on their exports /economy, and thereby took prompt action. As a result, the Japanese yen and Swiss franc are no longer safe haven currencies. The action of both the banks had been intended to promote their exports and thereby promote economic growth. However, the inflows in the currency market did not weaken the Japanese yen as expected. The Euro remained above 1.20 against the franc after the Swiss Central Bank's actions, and thus was able to protect the Swiss economy.

The Proposed US currency bill would allow the U.S government to impose additional duties on products from countries that subsidize exports by undervaluing their currencies. However, there is a risk that if the legislation passes, it could trigger a trade war between these two major economies in the world. The recent economic indicators of the U.S economy would also be appropriately considered before passing such legislation. The Yuan has gained against the dollar since June 2010 after the peg was removed.

The US government will reach its debt limit by mid-October unless Congress acts quickly.If the debt ceiling debate heats up to the point that it is seen by the Fed as that which dampens consumer confidence the Fed could announce a considerably smaller scaling back of its easing than initially planned.

GCC ECONOMIES

As a whole, GCC states control 45% of the world's oil reserves, and 18% of the world's natural gas reserves. The GCC has emerged as a role model for the transformation on economic and social fronts. The world's increasing energy demand has enabled the GCC states to generate a considerable fiscal surplus, thereby substantially improving the balance of payments position. Key policy initiatives have been instituted in order to diversify the predominantly oil-based economies and also to propel non-oil sectors. This has resulted in a massive infrastructural creation and industrial expansion. This multi-sector development has changed the face of the GCC completely since year 2000. Furthermore, the GCC as a bloc now has a unified stand on most of the key issues including the currency union, controlling inflation, management of liquidity, etc. Regular coordination and working towards common issues are making the GCC stronger day by day.

March 2008

The GCC economies have a similar macro-economic composition and an increased degree of openness in investment, trade and commerce policies. Capital has abounded with the modernization and creation of infrastructure. GCC economies have also been more resilient to the crisis due to measures taken by governments and regulators. The GDP per-capita is the highest amongst ranking countries. GCC economies have a huge fiscal surplus, investable surplus and current account surplus, due to hydrocarbon exports. The budgets of Saudi Arabia and Oman are based on a higher oil price when compared to 2011, and the emphasis has been on the infrastructure sector.

During the boom phase between 2003 and 2008, inflation in the Gulf states were running in the double-digits – parity linked dollar was fueling the inflation. Whether the Gulf States should delink from the dollar or devalue their currency was the question. America's role in the Gulf States is strategic, and delinking from dollar was not an option, I expressed my opinion on this in the CNBC interview in London in March 2008.

When the dollar was getting weak in early 2008, the GCC countries had little option but to revisit their currency link to the dollar. The first option was to re-peg and the second option was to delink, whereas the final option could be that the GCC has a unified common currency. The lesson we have learned from the EU is the key. Designing the currency under a set of criteria, whether deficit financing, gross debt to GDP, inflation etc., are defined by rules. It is not the rules alone which can decide the fate of the currency, but practicing it and enforcing it to stay within the union is paramount. Whether and when it will happen in the GCC is the question.

During the crisis, real commodity driven economies such as the GCC experienced limited access to funds, an increase in the cost of fund procurement, a weak securities market, reduced cash flows for businesses, a rise in credit losses, an increase in balance sheet risks due to asset price deflations, lower profit levels among businesses, volatility in the commodities market, a reduction in trade freedom, increased government intervention, and shifts in consumer behavior.

Consumer confidence was down and interbank lending and money market lending had dried up. Institutions did not trust each other, because there was no creation of credit. Stock markets took a blow because the hedge fund holders disinvested as the housing market was drying up. It must have provided a good opportunity to buy Qatari banks.

The GCC is resilient because the macroeconomic fundamentals are strong.

While the Gulf region was booming, Islamic banking gained momentum, evidenced by a huge creation of infrastructure. The property boom was visibly supporting Islamic banking, because asset-backed securitization is the Sharia norm. People preferred equity financing over debt financing. At the same time, the financial crisis did not even spare Islamic banking. Instead of asset-backed transactions, asset-based securitization was invented, as the property market was booming. This is contrary to Sharia principles, as many of the institutions derailed their practices in order to face the downturn during the property market collapse. The Qatar Government agreed to take a 20% stake in all Qatari banks. Interbank guarantees and deposit guarantees were provided, and regulators took measures in a co-ordinated manner. We expected confidence to be restored after a point in time.

Gulf economies are trillion dollar economies, and the GDP and the per capita income is growing. Real economies, such as GCC, are here to stay, and the financial economies will have to convert. In February 2009, the Dubai Government issued US$20 billion in long term bonds, with the first installment fully subscribed by the UAE central bank. In February 2009, Abu Dhabi raised US$3 billion through a bond issuance.

In the first Quarter of 2009, the Government of Qatar bought US$1.8 billion worth of local Qatari banks' portfolios of local shares listed on the Qatar Exchange. Subsequent to this, in June 2009, the State of Qatar bought US$4.12 billion of banks' real estate investments.

May 2009

The precautionary measures adopted by the government towards the banking sector have enhanced the ability of banks to cope with any possible repercussions from the global financial crisis, in spite of the robustness and stability of the banking system. This clearly reflected the government support to the Qatari banking sector, as it wished to continue its leading role in the development process and to promote sustainable economic growth.

The Banking Supervision division of the Qatar Central Bank (QCB) periodically tested the stress of all the Qatari banks for exposure to the securities and real estate markets, including respective collateral coverage. In addition, the QCB also mandated that all Qatari banks create a risk reserve to cover contingencies on loans and advances with a minimum requirement of 1.5%-2%, after excluding provisions and exposures against cash collaterals. These risk management mechanisms have enabled professionals to monitor and manage the whole system proactively.

These measures were adopted by the Qatari Government to improve consumer confidence in the banking industry and to manage the systemic risks as well. It has also enhanced the ability of banks to cope with any possible repercussions of the global financial crisis. This clearly reflected the support of the Government to the Qatari banking sector.

The property market downturn around the world and especially in Dubai has created extraordinary distress. Dubai's ability to meet its commitments and obligations was put to the test, as the creditors in the financial institutions were blowing the issue - Dubai is an integral part of the UAE, a nation that has set a vision for its future. The kind of infrastructure Dubai has created - seaports or airports, road or rail networks, is testimony to the fact that it has a constructive strategy for a long term vision. In December 2009, I told BBC and CNBC that it would only be a matter of time before it would rebound.

Around this time, Dubai received a US$10 billion bailout from its neighboring oil-rich emirate Abu Dhabi to pay part of government-owned conglomerate Dubai World's debt, as well as its struggling property unit Nakheel.

The Government of Dubai, acting through the Dubai Financial Support fund (DFSF), negotiated with creditors for the restructuring of its debt. The DFSF provided significant financial support for Dubai World and Nakheel. In March 2011, Dubai World finally agreed to a debt restructuring deal.

If we look at all these factors, we can see that the model has worked, as GCC economies have made progress in social, political and economic areas. The realignment will take place - it is now a question of time.

In January 2011, Qatar Investment Authority (QIA) acquired another 10 percent of the promised 20 percent stake in Qatari banks, reflecting the Government's continued support for the banks to strengthen their financial positions

Some GCC financial institutions introduced a crisis monitoring team, tightened the cash management system, allowed credit following a thorough risk evaluation, initiated key working capital initiatives, looked for opportunities to restructure the debt, focused on cost & organizational efficiency, kept real-time communication with all stakeholders, and adapted product portfolios to change consumer behavior.

The ongoing global financial crisis is indeed an opportunity for all commodity driven economies, such as the GCC, to showcase their fundamental strengths and come out of the crisis even stronger. New Qatari regulations in 2011 impacted retail consistent with global regulatory reforms. The new ceiling on personal loans will not curtail consumer lending. In fact, it is positively synchronized to encourage the banking sector to steer much of the funds and surplus into venture financing, which is undeniably linked to the aggregate productivity of the economy. Rulings that are related to risk management, and eligibility in correlations to the customer's financial commitments will help banks combat non-performing loans, and reduce the risk of customer's defaults. "Qatar Credit Bureau" was introduced in March 2011 to support growth of credit on sustainable basis.It will also support implementation of risk management through provision of analytical data.

We are confident that the worst in the banking sector industry is over. Financial stability is the key for the regional market. Qatar has developed a public private partnership to build up its financial stability. Regional regulators employed customized solutions to handle the crisis, and the result has been overall financial stability, except in certain pockets of UAE.

September 2010

Qatar has been judicious with its sovereign funds.

November 2010

Qatar had put money in Barclays, and got into a deal with Sainsbury. Qatar and other GCC economies have diversified and have not confined themselves to oil and gas. It should move into new sectors for long term sustainable revenue generation.

June 2008

Politics or Economics

In June 2008, Qatar invested in Barclays as a part of a structured diversification strategy. Over £2.3 billion was invested in Barclays. When I was interviewed by the BBC and asked the wisdom of this financial investment, the anchor even went on to ask me whether it was a political or economic decision. My answer was candid, as I saw justification in diversification and also a possible return on the investment that happened thereafter.

In spite of material prosperity, Qatar is a model for governance, as it has converted material prosperity into the changing habits of people. Clearly a move towards economic progression and political progression has been the key to sustainable prosperity for the gross welfare of the common man.

Qatar is a very small country. Look at its model of governance. Their representation in the United Nations Security Council is a clear example of their political progression. When it comes to social progression, health care and education plays a bigger role in society. Qatar has diversified in spite of its oil rich prosperity. It has diversified toward the London stock exchange and Barclays, and has invested in its long-term sustainable performance.

Essentially, the wealth distribution has taken place through multiple forms or multiple offerings. Clearly there is wealth distribution in the society. What need to be done is to alter the vision; to convert material prosperity into changing minds and habits. We should productively deploy excess money towards welfare of the society, both internally and externally. This is what Qatar has started. Investments and joint venture partnerships are taking place, and Qatar is playing a central role in mediation. Whether investing in India or Singapore or Lebanon or Japan or Korea, there is a character depiction in its investments. When it comes to internal development, education is the key.

As Qatar looks to the future, it looks beyond its current dependence on oil and natural gas, and to a world where a green economy will underpin all of its major achievements. It is my firm belief that there is no other way forward for the economies of our future. This may seem counterintuitive, as Qatar's economy is built on oil and natural revenues. But this cannot last forever. Not only does Qatar see the importance in diversifying the economy and moving away from a dependence on hydrocarbon industry, but they also recognize that in the long term, the dependence will have a negative impact on the global environment. Therefore, in addition to other steps, Qatar will encourage active investment in carbon credits in order to achieve an ecological balance throughout the global marketplace. The Qatar National Development Strategy is based on Qatar's National Vision 2030, which has also placed environmental development as one of the pillars of its vision. The environment will also support the millennium goal of "Ensuring environmental sustainability."

If we look at the bigger picture, there is integration within GCC states. The Qatar Exchange, Central Bank, Financial Market authority, and the Qatar Financial Centre all are integrated into a unified vision. Qatar has its vision for 2030, and it is focused on social, economic and political progression. The model is quite unique from the rest of the market. Qatar has a vision and a plan for professional execution.

In June 2013 His Highness Sheikh Tamim bin Hamad Al Thani became the Emir of Qatar after his father His Highness Sheikh Hamad bin Khalifa Al Thani hands power to him. This development paves the way to pursue the development and growth process framed by HH the Father Emir Sheikh Hamad bin Khalifa al-Thani, giving the country its distinguished international position.

The GCC region is insulated because of economic progression, and not isolated from global risks. The Quantitative easing and stimulus worked, but we should look at the enterprise risk management with a focus on systematic risks and market risks. We have to look at the Basel framework, and we need to look into liquidity risks. Operational risk needs to be fine-tuned again, and credit risk needs to be realigned for cross border deals. Liquidity management measures need to be realigned for a GCC regulatory framework.

The realignment of capital adequacy norms and the creation of risk reserves will be of paramount importance. We must conserve reserves and increase the capital.

Dubai will come out of its downturn. In 2011, Dubai World signed a restructuring deal for US$25 billion of debt. As part of the deal it will return US$4.4 billion to bank creditors in five years and US$10.3 billion in eight years. It will also convert US$10.5 billion of loans to the Dubai government as equity.

lnAugust2011, Nakheel restructured itsdebtofUS$16.06 billion, which includes US$8.71 billion of government debt to be converted into equity. The remaining US$7.9 billion is owed to trade creditors and banks. Bank creditors will be offered an interest rate of 4 percent over the London Interbank Offered Rate LIBOR / EIBOR, and repaid after five years. Trade creditors already received 40 per cent of what they were owed through cash payments.

__The Impact of Arab Spring__

The Arab Spring has been of enormous importance for North African political change, and has impacted the Gulf's financial markets. It is only incidental that gross welfare to the mass of Arab brothers is integral. This also aligns with my comment on the Libya turnover and the other developments in the Gulf States.

In the first Quarter of 2011, Saudi Arabia announced US$36 billion worth of financial support measures to improve education, infrastructure and healthcare. In March 2011, Saudi Arabia announced financial support measures worth SAR350 billion (US$93 billion). The Central Bank of Bahrain's (CBB) Governor has confirmed that there was no major capital flight in Bahrain due to recent tensions. The CBB Governor assured the banks that the CBB will continue to cooperate and support the retail banks.

The GCC capital markets witnessed a downturn in the first quarter of 2011 on account of the Arab Spring. The Credit Default Swap (CDS) spreads moved up. However, Qatar and Abu Dhabi are not similar to Egypt. Hence these swings provided opportunity to invest in Qatar markets. The markets got back on track.

Following the Arab Spring, the Middle East and North Africa (MENA) region requires social governance, which will bring stability. Social governance measures have been taken by GCC states.

Comments on Libya and the Arab Spring

From the beginning of Arab Spring I was outspoken about expecting a transformation in Libya, and when I was questioned on Fox News Channel in April 2011 on Qatar and America's role in Libya, I emphasised that America's role was not just confined to military in the Middle East but must also extends to trade, investment and finance. Finally, in October 2011 my comments were proven right.

Muammar Gadhafi's death

As Libya is one of the biggest producers of oil and allied products, the turmoil in Libya had the attention of every nation in the world. I landed in Sydney in October 2011 and saw the news of Colonel Gadhafi's death. The question remains what impact the Arab Spring will have on the overall political stability of the Arab world, and also what it means to financial markets, including the oil markets. Libya has been blessed with vast natural resources Political stability should provide enormous opportunities to enrich the nation and its people in the years to come, whether it will be medium or long term, time will prove but one thing is certain – freedom, democracy and empowerment of people will enrich human dignity.

EGYPT UNREST – JULY 2013

The human dignity freedom has been redefined after the Egypt political unrest in July 2013. Egypt crisis has global implications and international aids are at stake. Their should be functional democracy, political and financial stability resulting in gross welfare to the mass. Political tensions in Egypt had sent the oil prices on concerns in the Suez Canal and emerging markets growth can be at stake. In 2011 the beginning of Arab spring sent GCC markets down and bond yields up. Qatar has added value to the Arab world. It needs to be seen how politics and economics converge.

Small and medium size enterprises –

The Arab spring impacted both social progression and economic progression. Employment opportunities and growth are integral to the sustainability of the Arab world. We must promote small and medium sized business by facilitating social entrepreneurship, thereby delivering jobs and growth in labor market, as a result of social and political progress.

Political stability will come as long as welfare is provided to the masses. A diversification strategy should also bring political stability. We have to ensure that financial reforms result in financial and political stability.

Opportunities and unrest in the Middle East

Dr. R Seetharaman speaking about opportunities and unrest in the Middle East with CNBC in Singapore on 12 August 2013

Dr. R Seetharaman speaking about Gulf Bank seeking growth overseas with Bloomberg on

30 May 2013

CORPORATE GOVERNANCE

This century witnessed some of the biggest scandals in corporate history beginning with Enron. Enron collapsed in Dec 2001 after the stock price sank to less than one dollar, from a peak of $90. Fraudulent schemes of deceptive tricks and accounting misrepresentations, as well as off-the-book partnerships to manipulate Enron's finances made the company appear more profitable than it actually was. The founder Kenneth Lay was convicted on all six counts of corporate fraud and four counts of banking fraud. Enron caused a loss of US$70 billion from the capital market, US$2.1 billion in pension plans, 56000 jobs, and impacted market trust and the public image of the economy.

Lehman Brothers repeatedly exceed its own risk limits, and management made a number of terrible decisions that ultimately led to Lehman's collapse. In 2009, Allen Stanford and his firm were accused of consistently providing higher-than-market returns on CDs to its depositors.The defendants were accused by regulators for misrepresenting CDs as safe by claiming the funds were invested in diversified liquid assets. In October 2009, the founder of the Galleon Group, a big New York hedge fund, was charged with insider trading in the stocks of several companies.

There are many issues that have contributed to the above corporate governance failures. Corporate greed is on the rise and there has been urgency for short term gains. There is a deliberate intention to hide, mislead, manipulate and cheat. There is a reluctance to take investors and regulators in confidence when things go wrong. Excess risk taking without the concurrence of owners and stake holders, has resulted in a lack of Transparency, ethics and values.

In the current business environment, how do we check against these cancerous sicknesses? How do we increase the reliability of reporting? How do we increase investor confidence, consumer confidence and regulator confidence in the institutions? How do we increase transparency in our transactions?

The global financial crisis showcased weak corporate governance, a failure of risk management, and a supervisory failure. The current crisis has highlighted that boards should urgently be taking full responsibility for risks, which should be acknowledged and embraced by the boards of companies in all sectors of the economy.

Corporate structures and cultures should focus on linking performance objectives and combining performance measures, and should have a consistent design and implementation across companies. The current crisis has revealed that employees should not be rewarded for improper risk-taking actions, and the board should ensure that compensation schemes reward a firm's long-term performance. Whilst such a compensation package may vary from one company to another, it is essential that boards define the rationale for their compensation schemes, and take into account the way compensation awards are viewed by the outside world.

Improved oversight over board compositions, improved disclosure and transparency, and the effective use of audit functions are today's priorities for regulators. Global capital flows increasingly avoid markets where information to investors is perceived as weak or not transparent. Institutions cannot afford to ignore the long-term, and focus only on the short term, as the long term is achievable only when it is sustainable.

GREEN ECONOMIES

Global warming will lead to a rise in the level of the oceans and seas, causing a serious deterioration of the climate over the next 1,000 years. Burning of fossil fuels and the gases produced – especially carbon dioxide – were responsible for most of the temperature increases recorded during the second half of the last century. Forecasts say the level of the oceans and seas will rise by between 18cm and 59cm by the end of the century as a result of the melting of the ice caps at the two poles. International efforts to mitigate climate change needs improvement to meet the goal of keeping global warming to below 2 degrees Celsius above pre-industrial levels. These put economic and social development at a global risk. However, with appropriate climate and energy policies, renewable energy sources can substantially contribute to human well-being, and thus lead to positive effects including a stabilisation of the climate.

The international political response to climate change began with the adoption of the United Nations Framework Convention on Climate Change (UNFCCC) in 1992, setting out a framework for action aimed at stabilizing atmospheric concentrations of greenhouse gases. Under this Convention, governments gather and share information on greenhouse gas emissions, national policies and best practices. Governments launch national strategies for addressing greenhouse gas emissions and the expected impact, including the provision of financial and technological support to developing countries.

The Kyoto Protocol is a part of the United Nations Framework Convention on Climate Change (UNFCCC or FCCC), and is aimed at fighting global warming. The European Union (EU) was been a driving force for negotiations, which led to the UN Framework Convention on Climate Change (UNFCCC) and the Kyoto Protocol. The European Union has long been committed to international efforts to tackle climate change. The EU trade policy objectives include a liberalization of environmental goods and services, a need for global markets of carbon dioxide emissions trading, the development of renewable energy, and fostering trade cooperation to improve energy efficiency.

Some of the EU trade instruments, such as the generalized system of preferences (GSP) and the Sustainability Impact Assessments (SIAs) support the environment. The EU’s target for fueling transport with renewable energy sources by 2020 is now set at 10%, including biofuels, green electricity and other renewables.

Participating nations adopted the Bali Road Map at the United Nations climate change conference in December 2007. This was a two-year process to finalize a binding agreement in 2009 in Copenhagen. In the 15th Session of the Conference of the Parties (COP 15), in Dec 2009, the Copenhagen accord endorsed the continuation of the Kyoto Protocol, and recognized "the scientific view that an increase in global temperature should be below 2 degrees Celsius.

The 16th session of the Conference of the Parties (COP 16) to the UNFCCC was held in Cancun, Mexico and called for rich countries to reduce their greenhouse gas emissions, as pledged in the Copenhagen Accord, and for developing countries to plan to reduce their emissions. In the 17th session of the Conference of the Parties (COP 17) to the UNFCCC in Durban, South Africa, negotiators agreed to be part of a legally binding treaty to address global warming. The agreement includes developing countries, such as China and India. The terms of the future treaty were to be defined by 2015 and become effective in 2020. The agreement, referred to as the "Durban platform", is notable. The deal extends the Kyoto Protocol, whose first phase of emissions cuts run from 2008 to the end of 2012. The second commitment period will run from January 1, 2013 until the end of 2017.

The State of Qatar supports the efforts of the United Nations Millennium goals, the ongoing negotiations under the UNFCC. The 18th session of the Conference of the Parties (COP 18) to the UNFCCC was held in Doha, Qatar. The conference had come out with the “Doha Climate Gateway” which pushed forward the solutions to climate change.

The concept of sustainable development has attained significant importance at the global level, and the United Nations conducted a conference on this in Rio-de-Janerio Brazil, called Rio+20, or the Rio Earth Summit in June 2012. In the summit, leaders reaffirmed their commitment to various initiatives through the document “The Future we want.” Hence, sustainable development requires a thrust at a global level for effective implementation.

EPILOGUE

If we analyze closely, there are definitely signs that we are now in the second phase of the global financial crisis. Lessons learned from the initial wave of crisis should effectively be used to reduce the impact on the global economy. And this is exactly where a firm global governance framework will come to work. If a transparent and foolproof governance system is in place, the new wave will pass without major damage. My philosophy is "Economies and corporations are self-balanced through God's Global Governance". Economies, institutions and individuals need to follow governance. It can be called corporate governance for institutions, and global governance for economies. Individuals are affected by corporate governance and global governance due to the links with institutions and economies, respectively. Sustainability is the key for long-term growth. If it had not been for the crisis, emerging economies may have not realized their strengths, and advanced economies would have continued to leverage. People, politics and policies are supposed to converge.

The global financial sector will witness significant changes on account of the current global crisis. In response to the crisis, global regulatory reforms have been actively reviewed under the leadership of G20 countries and in co-ordination with the financial stability Board (FSB), International Monetary Fund (IMF), and the Bank for International settlements (BIS). G20 has also noted the progress achieved by the Global Partnership for Financial Inclusion (GPFI) in implementing the Financial Inclusion Action Plan. The GPFI is expected to expand the G20 Basic Set of Financial Inclusion Indicators to cover innovative approaches, quality of products, financial literacy and consumer protection. The world is getting manipulated, and liquidity is only driving the markets.Currencies and interest rates have witnessed significant volatility.Moraland ethical governance is the key for sustainability. The current realignment of the global architecture will support the achievement of one of the eight UN Millennium development goals to develop a global partnership for development,"which aims to further develop an open, rule-based, predictable, non-discriminatory trading and financial system. This would include a commitment to good governance, development, and poverty reduction, both nationally and internationally. Economies need to integrate the principles of sustainable development into their policies and programs, and reverse the loss of environmental resources. This will also enable such economies to achieve the UN Millennium Development Goal of "ensuring environmental sustainability." The crisis is an opportunity to create a better world, based on sound transparent principles and ethics. This crisis is also an opportunity for real economies to prosper, and financial economies to correct their values to become real and more ethical so that the world becomes a better place.