

Distressed Countries Fund

Private & Confidential

MISSION STATEMENT

*SANCTIONS DO NOT WORK
UNLESS ADHERED TO BY ALL
PARTIES*

*CURRENCY PEG PRESSURE IS
ONLY EFFECTIVE WHEN IT IS
EXERCISED BY ALL PARTIES*

*WHAT MATTERS IS WESTERN
PERCEPTION – THE MORE THE
WRONGDOING IS CONDEMNED,
THE MORE EFFECTIVE
SANCTIONS WILL BE*

*MAINTAINING THE PEG
REQUIRES EXTENSIVE USE OF
CENTRAL BANK FOREIGN
EXCHANGE RESERVES*

*CONTROL THE YIELD CURVE,
DECIDE THE FUTURE*

PROPOSED STRUCTURE

STAGE 1 – Establish Execution Strategy

- **TO PRESERVE INTEGRITY OF EXISTING QATARI BOND HOLDINGS, AN IN-SITU TRANSFER WILL BE ARRANGED INTO A PROTECTED CELL COMPANY:**
 - Create a sizeable, strong, and standalone entity which can be viewed as a smaller counterpart to central bank reserve holdings
 - Confidentiality is maintained
 - Separate ownership remains intact
 - Qatari bond holdings serve as collateral
 - Individual holdings can be instantly accessible
- **ASSESS GLOBAL MARKET CONDITIONS FOR THE QATARI RIYAL AND CDS TO ESTABLISH EXECUTION STRATEGY WHICH WOULD INCLUDE:**
 - Determining available liquidity, supply, and pricing
 - Identifying appropriate instruments such as currency forwards, currency options, and bond CDS
 - Ensuring trade lines are placed in different time zones and include second-tier banks to allow maximum flexibility
 - Make targeted use of investment banks' friendship with Qatar to affect loyalty and add confusion to the marketplace

PROPOSED STRUCTURE *(CONT'D)*

STAGE 2 – Gear Up to Control the Yield Curve

➤ PURCHASE MEDIUM- AND LONG-TERM QATAR PAPER:

- This would allow to control the yield curve (and thus bond prices) and should favourably affect CDS pricing at a later stage
- Establish a crossing transaction arrangement whereby another affiliated party sells the same bond holdings back to the original seller and thereby creates additional downward pressure

➤ PURCHASE CDS ON QATAR:

- Start with Qatar-friendly banks who may prove more willing to enter into these trades
- Increase long CDS positions slowly with large banks, just enough to move the price sufficiently to make it newsworthy
- Market depth may be limited and poor pricing on exit expected

PROPOSED STRUCTURE *(CONT'D)*

STAGE 3 – PR Machine & Position Increase

- **FIRE UP THE PR MACHINE TO REMIND PEOPLE THERE IS A PROBLEM WITH QATAR:**
 - Reinforce the existing narrative, suggesting the state is feeling some pain from lack of engagement with neighbours and use their own narrative against them
 - Qatar will counter with their own PR but will exhaust the message quickly, especially as market prices will show their weakened position
- **INCREASE POSITIONS:**
 - Simultaneously hit all second-tier bank CDS lines and increase existing positions with larger banks
 - Buying additional CDS leads to falling bond prices, rising rates, and escalation in CDS premia
- **REFRESH THE PR MESSAGE TO ADD MORE FUEL TO THE FIRE:**
 - Focus on the prospect of restricted access to US Dollar and now-doubtful stability of the country
 - The currency peg will not break, although credit markets will not be looking healthy
 - Some bold statements from neighbouring countries may prove useful
 - And... continue to increase positions
- **CLOSE THE POSITIONS WITH THE QATAR FRIENDLY BANKS FIRST, FOLLOWED BY OTHER LARGER BANKS AND SECOND-TIERS**

FIFA OPTION

- **QATAR HAS COMMITTED TO \$200BN OF SPENDING FOR ITS HOSTING OF 2022 WORLD CUP**
- **THE GCC CAN PETITION FIFA TO GRANT THE TOURNAMENT TO THE REGION AS A WHOLE**
 - Precedent in the form of Korea/Japan World Cup in 2002
 - European Championship in 2020 to be hosted across the continent in multiple countries
- **AN APPEAL TO FIFA WILL BE TO DISPLAY FOOTBALL AS A TOOL TO STABILISE THE REGION**
- **IF QATAR REJECTS THE PROPOSAL, THEY WILL BE SEEN UNWILLING TO WORK WITH THEIR GCC PARTNERS**
- **NEGATIVE PUBLICITY CAN RESURFACE AROUND THE ORIGINAL AWARD OF THE TOURNAMENT, BRIBERY ALLEGATIONS, CONDITIONS OF CONSTRUCTION PERSONNEL AND OTHER ISSUES**
- **THE MOVE DRAWS PUBLIC ATTENTION TO QATAR'S DUBIOUS ABILITY TO HOST THE WORLD CUP ON THEIR OWN**
 - Primary suppliers of materials were Saudi Arabia and the UAE – costs have already increased
 - Importing talent from abroad has become more difficult given the no-fly zones – ability of fans to travel to the region has already diminished
 - If Qatar now spends its reserves on protecting the currency and domestic credit markets, there is less dry powder to fund the infrastructure spending

APPENDIX: COLLATERAL STRUCTURE

