

Qatar Financial Centre Regulatory Authority: New rules



By David Salt and Emma Higham

The QFC Regulatory Authority (QFCRA) is the independent regulatory body of the Qatar Financial Centre (QFC) with wide powers to supervise, enforce and authorise firms conducting regulated activities in or from the QFC. The main objective of the QFCRA is to promote efficiency, transparency, integrity and confidence in the QFC.

In a press release, dated January 17th, 2013 the QFCRA issued new rules (New Rules) dealing with three areas of regulation, being Corporate Governance, Anti-Money Laundering and Combating the Financing of Terrorism and Islamic finance windows.

Corporate governance

The New Rules issued on Governance and Controlled Functions will come into force on July 1st, 2013. The QFCRA has stated that these New Rules will seek to reinforce regulation covering governance and risk management by requiring the governing body of a QFC authorised firm (QFC Firm) to approve and establish:

- (i) a formal governance framework;
- (ii) risk management and internal controls framework; and
- (iii) remuneration policy.

In addition to the requirements of the governing body of a QFC Firm, the New Rules include a requirement for an additional controlled function, being internal audit for QFC insurers, QFC banks (ie. QFC Investment and Banking Rules 2005, PIIB, Category 1) and QFC Islamic banks (ie. PIIB Category 5). In addition QFC banks and Islamic banks are required to have a risk management function.

Prior to the introduction of the New Rules the QFCRA has stated its intention to hold open meetings with QFC Firms to ensure that the New Rules, and the basis on which they have been issued, are understood.

Anti-money laundering and combating the financing of terrorism

In 2010, as part of its commitment to work with the Financial Action Task Force (FATF) to implement anti-money laundering and counter-terrorist financing measures, Qatar up-dated its anti-money laundering and counter terrorism financing legislation by issuing Law No.(4) of 2010, Combating Money Laundering and the Financing of Terrorism Law, which became effective on March 18th, 2010.

The QFCRA's New Rule changes concerning Anti-Money

Laundering and Combating the Financing of Terrorism (AML/CFT) came into force on February 1st, 2013 and reflect Qatar's wider FATF commitment. The New Rules focus on three areas, being, a revised regime for general insurance business, minor and technical amendments to reflect the revisions to FATF's standards and recommendations, and amendments to the residency requirements for the Money Laundering Reporting Officers (MLROs) of QFC Firms.

Of particular interest are the amendments to the residency requirements for MLROs including the imposition of additional obligations on QFC Firms with non-resident MLROs to ensure that the MLRO function can be adequately exercised to the satisfaction the QFCRA despite such non-residency and amending the definition of family members of politically exposed persons.

Islamic windows

The New Rules regarding the regulation of the Islamic finance windows, which also came into force on February 1st, 2013, in essence stop the operation of all Islamic windows by QFC Firms, with the exception of any takaful insurance business conducted under the QFC Insurance Business Rules 2006.

In 2011 the Qatar Central Bank imposed a ban on on-shore banks operating Islamic windows, requiring all conventional banks to close their Shariah-compliant businesses. The New Rules extends this ban to financial institutions operating to and from the QFC.

Given the low level of activity conducted through Islamic windows by QFC firms, the impact of this rule change will be minimal and would appear to be an attempt to achieve coherence across the financial sector in Qatar rather than a change which is business driven.

The New Rules covering the three areas of regulation were drawn up following the conclusion of an industry consultation which began in September 2012 and the rule amendments can be found in full on the QFCRA website www.qfcra.com. The New Rules support the QFCRA's commitment to meet high international regulatory standards and the continued development of the QFC as a leading financial and business centre.

Note: all Qatari Laws (save for those issued by, eg. the QFC to regulate its own business), are issued in Arabic and there are no official translations, therefore for the purposes of drafting this article Clyde & Co LLP has used its own translation and interpreted the same in the context of Qatari laws, regulation and current market practice.

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