



**STATEMENT BY THE QFC REGULATORY AUTHORITY REGARDING THE RESULT OF
ENFORCEMENT AND DISCIPLINARY ACTION TAKEN IN RELATION TO AL MAL BANK
LLC (“AL MAL”) IN ACCORDANCE WITH THE QFC FINANCIAL SERVICES
REGULATIONS (“the Regulations”)**

On the 3rd March 2010, following the conclusion of an investigation into the affairs of Al Mal, the Qatar Financial Centre Regulatory Authority (the “Regulatory Authority”) issued a Decision Notice to Al Mal following an investigation into the affairs of Al Mal. Al Mal was authorised on the 3rd December 2008 as an Islamic Financial Institution to conduct Islamic Financial Business. The Regulations provided Al Mal with a period within which it could appeal against the Decision Notice. That period has now expired and no appeal has been lodged and the Regulatory Authority is accordingly publishing this statement regarding the result of the enforcement and disciplinary action taken against Al Mal.

The Decision Notice issued by the Regulatory Authority recorded the decision:

- (i) to withdraw Al Mal’s Authorisation in accordance with Article 31(2)(C) of the Regulations;
- (ii) to impose a financial penalty on Al Mal in the amount of US\$506,000 in accordance with Article 59(1) of the Regulations; and
- (iii) to order Al Mal to pay the costs and expenses of the investigation conducted by the Regulatory Authority in accordance with Article 50(4) of the Regulations.

This decision was taken by the Regulatory Authority on the grounds that it was satisfied that:

1. Al Mal was failing to satisfy the criteria for authorisation stipulated in Article 29 (2) – (5) of the Regulations.
2. Al Mal had contravened Relevant Requirements set out in the Regulations and Regulatory Authority Rules by:
 - (i) failing to keep proper accounting records that were appropriate to its business and that disclosed with reasonable accuracy its financial position;
 - (ii) failing to take adequate steps to ensure that its systems, resources, procedures and controls were at all times appropriate to its business;
 - (iii) failing to establish appropriate internal management and organisational structures, policies and procedures;
 - (iv) failing to maintain a register of members and other documentation required under the QFC Companies Regulations;
 - (v) failing to establish an effective and independent compliance function;
 - (vi) failing to establish and operate effectively internal reporting mechanisms including arrangements to identify, measure, manage and control regulatory risks;
 - (vii) failing to maintain a Share Register or to issue Share Certificates for each share allotted or transferred;

- (viii) failing to provide accurate information to the Regulatory Authority regarding its controllers;
- (ix) failing to ensure that the client funds were segregated from the Bank's own funds and by paying the client money into an account that was not disclosed in the books and records of the Bank; and
- (x) failing to ensure that its entire business operations were conducted in accordance with Shari'a.

3. That Al Mal had contravened provisions of the Regulatory Authority's Principles Rulebook, including:

- (i) Principle 1, by failing to observe high standards of integrity in the conduct of its business;
- (ii) Principle 2, by failing to act with due skill, care and diligence in the conduct of its business and to provide effective management oversight of the operations and activities;
- (iii) Principle 3, by failing to ensure that its affairs were managed effectively by its senior management;
- (iv) Principle 4, by failing to have effective systems and controls including risk management systems and adequate human and technological resources;
- (v) Principle 7, by failing to have due regard to its customers' interests and treat them fairly and to ensure that funds received by it from customers were handled in accordance with the applicable regulatory requirements;
- (vi) Principle 9, by failing to manage conflicts of interest fairly and by failing to organise its affairs so that conflicts of interest were identified; and
- (vii) Principle 13, by failing to deal with regulators in an open and co-operative manner and to keep the Regulatory Authority promptly informed of matters of which the Regulatory Authority would reasonably expect notice.