



## **QFC REGULATORY AUTHORITY ANNOUNCES NEW PRUDENTIAL REGIME FOR INSURERS**

**DOHA, 26 September 2006**

The QFC Regulatory Authority (Regulatory Authority) announced today its new prudential regime for insurers authorised to carry on insurance business in or from the Qatar Financial Centre (QFC).

The prudential regime is set out in rules made by the Board of the Regulatory Authority and will come into effect on 1 October 2006.

The regime includes rules relating to:

- the establishment and ongoing review of a robust risk management policy, including a Risk Management Strategy;
- minimum capital requirements;
- the measurement of assets and liabilities; and
- actuarial reporting requirements.

The regime also specifically provides for Takaful entities, recognising the importance of Takaful business in the region.

Commenting on the new insurance prudential regime, Mr Phillip Thorpe, Chairman and CEO of the Regulatory Authority, said:

“There has been a very high level of interest from firms wishing to conduct insurance business in and from the QFC. The prudential rules we are announcing today will provide insurers with a modern regime designed to meet international standards and one which emphasises the importance of careful management of risks and the protection of assets.

We believe the establishment of such a regime will be a key factor in enabling the development of the QFC as a major centre for insurance business in the region.”

The prudential rules are principally set out in a new rulebook, the Prudential – Insurance Rulebook (PINS). Additional provisions relating to the regime have also been included in the Controls (CTRL), Individuals (INDI) and



Interpretation and Application (INAP) Rulebooks. These also take effect from 1 October 2006.

The PINS Rulebook, as well as the latest versions of the CTRL, INDI and INAP Rulebooks, will be available from 1 October 2006 on the Regulatory Authority website:

<http://www.qfcra.com/legislation/>

For further information, refer also to the Q&A's attached to this media release.

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## Notes to the editor

### **About the QFC Regulatory Authority**

The QFC Regulatory Authority is an independent regulatory body established by Article 8 of the QFC Law. It regulates firms that conduct financial services in or from the QFC. It has a broad range of regulatory powers to authorise, supervise and, when necessary, discipline firms and individuals. The QFC Regulatory Authority regulates firms using principle-based legislation of international standard, modelled closely on that used in London and other major financial centres. Further details are available on the website, [www.qfcra.com](http://www.qfcra.com)

### **About the Qatar Financial Centre**

The Qatar Financial Centre (QFC) is a financial and business centre established by the Government of Qatar and located in Doha. It has been designed to attract international financial services institutions and major multi-national corporations and to encourage participation in the growing market for financial services in Qatar and elsewhere in the region. The QFC operates to international standards and provides a first class legal and business infrastructure for those doing business within the QFC. The QFC was created by QFC Law No.(7) of Qatar, has been open for business since 1 May 2005 and is now receiving applications.

### **About the QFC Authority**

The QFC Authority is the commercial, administrative and legislative body responsible for driving the commercial strategy of the QFC and for developing relationships with the global corporate community and other key institutions both within and outside of Qatar.

### **About Qatar**

Last year a nationwide referendum overwhelmingly approved a new constitution providing for Qatar's first legislative election and an independent judiciary. Qatar is currently a member of the UN Security Council. It has one of the world's fastest growing economies, is on course to be the world's leading exporter of liquefied natural gas and has an active programme of infrastructure investment and economic diversification.



## **Questions and Answers**

### *1. When will the new prudential regime for insurers commence?*

The new prudential regime will commence on 1 October 2006.

### *2. Who does the new prudential regime apply to?*

The new prudential regime applies to all categories of general insurance business and long term insurance business that can be conducted in or from the QFC. Direct insurance, reinsurance, retail, wholesale, takaful, and captive insurance business are all catered for under the new prudential regime, as well as the three legal forms that an insurer can operate in: a QFC incorporated entity; a cell of a Protected Cell Company incorporated in the QFC; or a non-QFC incorporated entity (a branch).

### *3. How are branch operations regulated under the new prudential regime?*

Insurers can apply for authorisation to conduct business either as a company incorporated in the QFC or as a branch of an entity outside the QFC. Authorisation to operate as a branch in the QFC is at the discretion of the Regulatory Authority, and will be judged on a case by case basis.

The Regulatory Authority has taken the view that, at least for the near future, only insurers who are sufficiently capitalised in the jurisdiction of their home regulator will be authorised to conduct branch operations in the QFC. Under this approach the minimum capital requirements contained in the new prudential regime do not apply to the QFC branch operations of an insurer authorised in the QFC. It is important to stress that the insurer will still be required to meet the other requirements of the prudential regime, for example those relating to the risk management policy including the Risk Management Strategy, for its QFC branch operations.

### *4. How will the new regime treat local and regional insurers who may wish to seek authorisation to conduct insurance business in or from the QFC?*

The Regulatory Authority is mindful of its objectives in relation to international standards in the context of encouraging the development of the insurance sector in Qatar and the region more generally. The Regulatory Authority invites dialogue with local and regional firms interested in establishing in the QFC but who presently may



not meet the QFC's regulatory requirements, including the new prudential rules, to discuss how those firms might best move to achieve those standards.

5. *How is Takaful business treated under the new prudential regime?*

The treatment of Takaful business under the new prudential insurance regime is consistent in most of its requirements to those applying to conventional insurance business, but reflecting the particular features and obligations involving Takaful business. Takaful entities must also meet a small number of requirements specific to takaful entities, such as the establishment and maintenance of takaful funds, segregation of takaful business into these takaful funds, the making of loans from a takaful fund, and requirements relating to the distribution of any surplus or deficit in a takaful fund.