HIS HIGHNESS SHEIKH TAMIM BIN HAMAD AL-THANI

Emir of the State of Qatar

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CHAIRMAN'S STATEMENT

This year marks the 10th anniversary of the establishment of the Qatar Financial Centre. The past ten years have witnessed an era of unparalleled progress in Qatar, notwithstanding the persistent after-effects of the global financial crisis and the various headwinds and downside risks that continue to emerge in the global economy. These issues have served to remind us of just how important a strong and resilient financial system is to ensuring that the economy is protected against shocks and imbalances that could threaten its long-term growth prospects.

I am pleased, as I look back on the last 10 years, to acknowledge and recognise the significant contribution that the Regulatory Authority has made both to the Qatar Financial Centre and to the broader Qatar regulated financial sector. Qatar's economy has continued to perform exceptionally well over the last few years and creating a resilient financial system and a robust regulatory framework to support it depends on many things, not least of which is ensuring that we have strong coordination and cooperation among our three financial regulators. I am pleased to note how well that cooperation has gone in the three years since we adopted our joint regulatory strategic plan, the first of its kind in Qatar, resulting in a number of benefits that serve our country well.

We have worked closely together to develop regulatory policies, adapting our rules to international standards, sharing expertise and resources and, through the Financial Stability and Risk Control Committee, establishing an institutional framework that positions us to monitor and addresses risks to the financial system.

The Regulatory Authority has played an important and vital role in this process. Initiatives have included redesigning its supervision model, its data collection and a focus on developing tools to enable effective macro-prudential supervision. Recent enhancements to its regulatory framework in banking, Islamic finance and investment management have contributed, not only to the improvement of the regulatory environment for Qatar Financial Centre authorised firms, but also assisted in developing models that are more valuable on a broad level to Qatar's regulatory community.

A highlight of 2015 was also the launch of the Renminbi clearing and settlement centre in Qatar, the first such in the MENA region. This initiative will lead to greater opportunities for the financial services sector in both Qatar and the region to pursue and benefit from enhanced trade and investment with China.

The successes and achievements of the Regulatory Authority evidenced in 2015 (and throughout its first decade) were made possible through both the guidance of my fellow Directors and the talent and focus of its staff. I would therefore like to thank my fellow Board members for their leadership, energy, and commitment and the management and staff of the Regulatory Authority for their dedication to contributing towards safeguarding Qatar's financial environment.

On behalf of the Board of the Regulatory Authority I would also like to thank H.H. the Emir, Sheikh Tamim Bin Hamad Al-Thani, H.H. the Deputy Emir, Sheikh Abdullah Bin Hamad Al-Thani and H.E. the Prime Minister and Minister of Interior, Sheikh Abdullah Bin Nasser Al-Thani, for their invaluable continuous support and wise guidance.

H.E. Sheikh Abdulla Bin Saoud Al-Thani

Chairman

CEO'S STATEMENT

In 2015 the Qatar Financial Centre celebrated its first decade. Over that time, the Regulatory Authority has played an important role in the establishment of the Qatar Financial Centre as a world-class platform for the development of the financial services sector in Qatar. This has been achieved through focussed partnership with the institutions supporting the Qatar Financial Centre, the Qatar Financial Centre Authority and the Qatar International Courts and Dispute Resolution Centre, and our relationships with the Qatar Central Bank and the Qatar Financial Markets Authority.

The economic pillar of the Qatar National Vision 2030 (QNV 2030) challenges us "to choose and manage a pathway that delivers prosperity yet avoids economic imbalances and stresses," and QNV 2030 identifies that the financial sector plays a critical role in meeting this challenge and realising QNV 2030's goals.

QNV 2030's focus on financial services recognises the important role that financial services play in driving long-term, sustainable growth and economic diversification, both of which represent critical objectives for Qatar and its vision for the future. Over the last decade, the Qatar Financial Centre has emerged as an effective tool in achieving these objectives. The Qatar Financial Centre has become an attractive and valued platform for foreign direct investment, which adds capacity to Qatar's economy, creates opportunities for firms looking to do business in Qatar, and provides a robust base for both domestic and international firms seeking to broaden their franchise in the region. The Qatar Financial Centre has attracted global leaders in banking, insurance and asset management, provided opportunity for local firms to expand their business models, innovate in the financial products they deliver, and capitalise on future growth opportunities and market developments.

Michael G. Ryan

Chief Executive Officer

Developing a "pathway that delivers prosperity yet avoids economic imbalances and stresses," requires prudent and effective financial regulation and strong co-ordination among regulators to ensure financial stability and consistent and effective regulatory policy and supervision. In this regard, the Regulatory Authority's achievements in 2015 rest against the backdrop of the Strategic Plan for Financial Sector Regulation, launched in 2013 by the Qatar Central Bank, the Qatar Financial Markets Authority and the Regulatory Authority. This unified strategy has been an important asset in meeting our common objectives. The common strategy was developed against the backdrop of significant changes in international regulatory standards and, as a regulatory community, it has provided us with the roadmap to ensure that international best practice and the lessons learned in the global financial crisis are built into the system. In this connection, the Regulatory Authority's focus has been directed towards: (i) implementing, in an effective and proportionate way, the new global standards for banking, insurance and asset management, (ii) reviewing our regulatory reporting to ensure appropriate and adequate data collection in order to position us to monitor risks and anticipate imbalances and stress, (iii) strengthening the foundation and the role that financial regulation plays in promoting long-term sustainable economic growth, innovation, opportunity and economic diversification, (iv) establishing and maintaining strong levels of coordination among the regulators in order to support the objectives of the common strategy, and (v) ensuring that our human capital and Nationalisation initiatives are focussed and successful and that our operating environment is efficient and meets best practice. I am particularly pleased to note the strong collaboration during 2015 between the Qatar Central Bank and the Regulatory Authority in respect of the new rules for Islamic Banking issued by the Regulatory Authority and the new Insurance Instructions that will be issued in 2016 by the Qatar Central Bank. This co-operation and co-ordination was essential to ensuring that the new rules were both robust and as consistent as possible.

Regulators, like the firms we regulate, need to have a clear line of sight on risks. Key to this outcome is having data that are targeted to risks, current and emerging. 2015 saw the final implementation of the new Prudential Reporting Framework for banks and insurers, an effort commenced over two years ago. Reporting requirements were significantly enhanced and data collection was targeted to the key financial risks in our insurance, banking and asset management sectors. The new data reporting system is valuable not just to the supervision of firms but also to the Regulatory Authority's efforts to broaden and deepen our macro-prudential capabilities, and in turn, position the Regulatory Authority to add greater value to the work of the Financial Stability and Risk Control Committee, and to the wider stability of the financial sector.

The Regulatory Authority's progress is made possible by the leadership and support provided by our Chairman and our Board of Directors. To each of them, I extend my gratitude. The staff of the Regulatory Authority has also earned my deepest thanks for delivering an ambitious programme of work with their customary discipline and professionalism. Collectively, we have much to be proud of in our first ten years.

GOVERNANCE FRAMEWORK

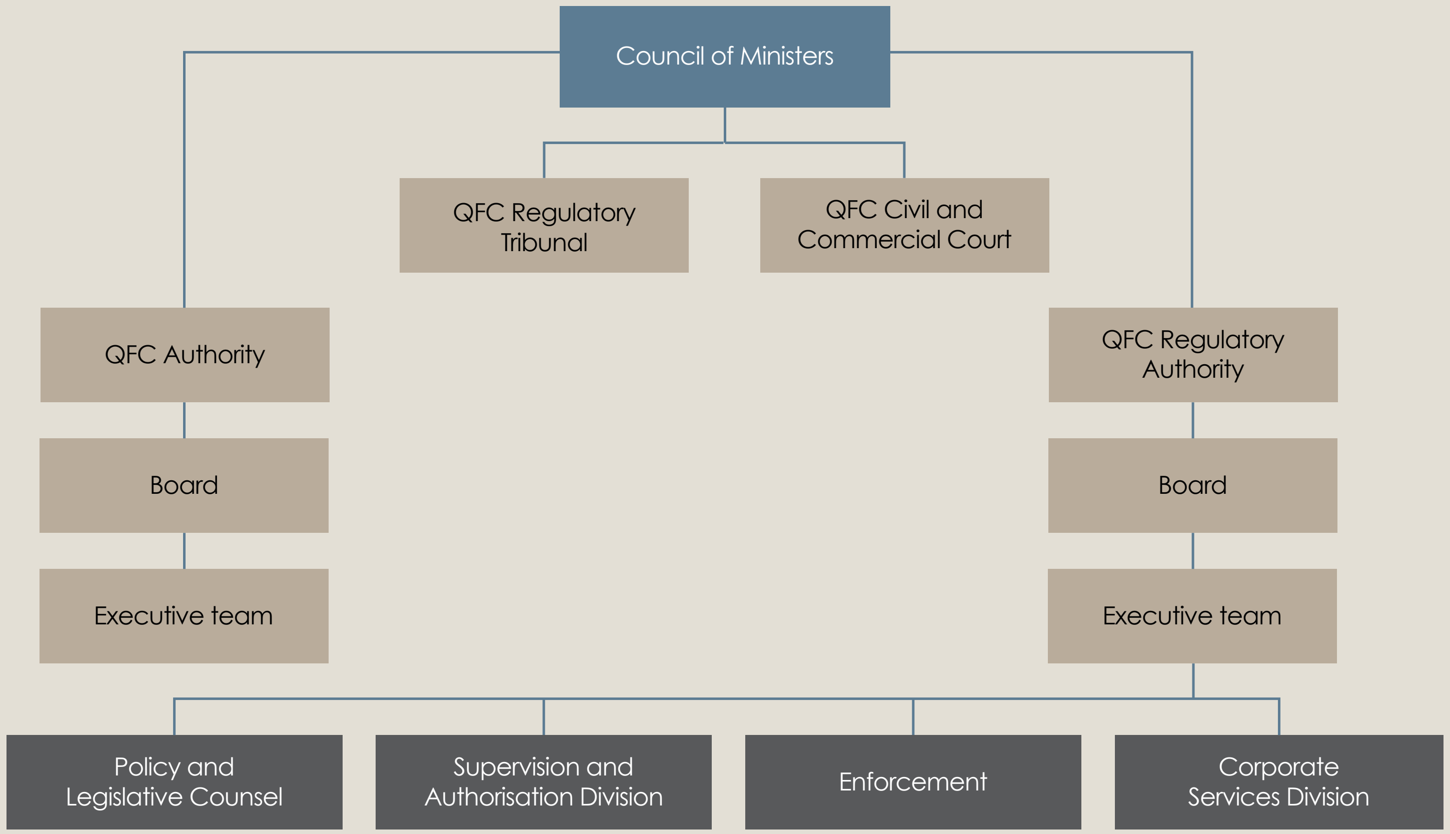
Governance

The Regulatory Authority operates under a governance framework designed to ensure transparency, integrity, independence, accountability and fairness. It is committed to demonstrating best practice and leadership in this area. The Governance Resolution of the Board of the Regulatory Authority sets out the policy of the Board on various governance matters, reflecting the intention that the business of the Regulatory Authority is conducted in accordance with its regulatory objectives, applicable laws and principles of sound governance.

Role of the Board

The role of the Board is to lead the Regulatory Authority in line with the Qatar Financial Centre Law and other applicable legislation. The Board sets the strategic direction for the Regulatory Authority; oversees the executive management's discharge of the day-to-day business of the Regulatory Authority; sets policies to manage risks to the Regulatory Authority's operations and the achievement of its regulatory objectives; and seeks regular assurance that the system of internal controls is effective in managing risks.

Governance Structure



Governance Framework

The Board

Under the Qatar Financial Centre Law, the Board may have a maximum of six members appointed by the Council of Ministers. Board members are required to have significant expertise in the regulation of financial services. The Chairman and other Directors on the Board were appointed by the Council of Ministers for a three-year term on 8 March 2012 and their terms were renewed for a further three years from 8 March 2015. The Board reports annually to the Council of Ministers on the discharge by the Board of the Regulatory Authority's functions; the extent to which, in its opinion, the Regulatory Authority's objectives have been met; and other matters required by law.

Board Meetings

The Board met four times during 2015 with full attendance by all Board members. The Board approved a number of new rules and rule amendments, considered various regulatory policies, and reviewed a number of standing items.

The rule and policy amendments decided by the Board in 2015 included the Miscellaneous Amendments Rules 2015 which came into effect on 1 July 2015, and the Islamic Banking Business Prudential Rules 2015 and Conduct of Business Amendments Rules 2015, both of which became effective on 1 January 2016.

The standing items that were reviewed included the annual budget, the audited financial statements, the quarterly financial reports, the annual review of the Enterprise Risk Management process and the monthly management report to the Board. The Board also reviewed the semi-annual macro-prudential supervisory report.

The Board was kept informed of developments in relation to regulatory coordination amongst Qatar's financial regulators including progress made by the Financial Stability and Risk Control Committee. They were briefed on the initiatives in process and proposed by the Regulatory Authority to advance the strategic goals set forth in the Strategic Plan for Financial Sector Regulation.

Committees of the Board

The Board is empowered to establish committees to undertake and advise on certain areas of responsibility. The Governance Resolution of the Board provides for the establishment of an Audit and Risk Committee as well as a Nominations and Remuneration Committee and sets out the nature and membership of these committees. The committees review matters under their Terms of Reference and make recommendations and provide reports to the Board.

Audit and Risk Committee

The Audit and Risk Committee (ARC) comprises Mr Robert O'Sullivan (ARC Chairman) and Mr Jean-François Lepetit. The principal focus of the ARC is to monitor and oversee:

1. the effectiveness of the Regulatory Authority's policies, procedures and internal controls including those for financial reporting;

2. compliance with legal and other requirements;

3. the performance of the internal audit function and the external audit firm appointed by the Regulatory Authority;

4. the effectiveness of the internal controls framework; and

5. business continuity and disaster recovery plans.

The ARC met four times during 2015, supplemented by exchanges of information between meetings. The Head of Internal Audit, the Chief Financial Officer/Managing Director Corporate Services, the Head of Information Technology, the Managing Director, Supervision and Authorisation and other executives attended ARC meetings by invitation. The ARC reviewed quarterly updates on the status of the Regulatory Authority's risk register.

The ARC approved the yearly internal audit programme and followed its implementation through regular communication with the Head of Internal Audit. In 2015, the ARC met with the external auditors of the Regulatory Authority on two occasions and oversaw the completion of the external audit concerning the Regulatory Authority's financial statements. In accordance with best practice and to promote auditor independence, at the ARC's recommendation the Regulatory Authority's auditor was rotated after a five-year period. An introductory meeting with the new auditor took place in December 2015.

All matters of significant discussion were reported to the Board, which also received the minutes of all ARC meetings.

It is the ARC's view that the Regulatory Authority continues to apply appropriate policies and controls to its various business areas and operations. The internal audit function and internal controls framework are working as intended and provide assurance that improvement opportunities are identified and addressed.

Nominations and Remuneration Committee

The Nominations and Remuneration Committee (NRC) comprises Mr Jean-François Lepetit (NRC Chairman) and Dr Jeffrey Carmichael. The NRC met four times in 2015. The Chief Executive Officer and the Managing Director Corporate Services attended all NRC meetings in 2015 by invitation and the Chief Administrative Officer and the Director of Human Resources attended the fourth NRC meeting of 2015.

The principal areas of focus for the NRC include considering and delivering recommendations to the Board regarding policy in relation to remuneration. The NRC also considers strategic human resources matters such as progress on the recruitment and training of Qatari nationals.

At each meeting in 2015 the NRC received a general update on Human Resources matters including nationalisation efforts, organisational development, headcount, turnover, contract renewals of senior management, succession planning, promotions, internships and secondments.

All matters of significant discussion were reported to the Board, which also received the minutes of all NRC meetings.

Board Internal Evaluation

In 2015 the Board continued its practice of undertaking a self-assessment exercise, the purpose of which is to review Board practices and to find ways to improve efficiency and effectiveness. The results of the 2015 assessment were discussed at the first Board meeting of 2016.

BOARD OF DIRECTORS

Dr Jeffrey Carmichael
Board Member

Robert O'Sullivan
Board Member

H.E. Sheikh Abdulla Bin Saoud Al-Thani
Board Member and Chairman

Michael Ryan
Board Member and CEO

Jean-François Lepetit
Board Member

Nasser Al-Shaibi
Board Member

BOARD MEMBERS

H.E. Sheikh Abdulla Bin Saoud Al-Thani

Chairman of the Qatar Financial Centre Regulatory Authority

His Excellency Sheikh Abdulla Bin Saoud Al-Thani was appointed Governor of Qatar Central Bank in May 2006, having started his career in the Bank in 1981. He was Deputy Governor from 1990 to 2001 and subsequently left to serve as Chairman of the State Audit Bureau from 2001 to 2006, before assuming his current position.

His Excellency was appointed as Chairman of the Board of Directors of The Regulatory Authority in March 2012 and subsequently as Chairman of Qatar Financial Markets Authority later in 2012. His Excellency is also Chairman of Qatar's Financial Stability and Risk Control Committee.

He was appointed as Chairman of the Islamic Financial Services Board (2013) as well as Chairman of the International Islamic Liquidity Management Corporation until December 2013 and is currently a member of both institutions.

He also serves as Chairman of the Board of Directors of Qatar Development Bank and is a member of the Board of Directors of the Supreme Council for Economic Affairs and Investment.

He served as Chairman of the Board of Directors of the Gulf Monetary Council for 2014. He is a Board member at Qatar Investment Authority and Chairman of the Governors of GCC Monetary Agencies and Central Banks Committee.

Nasser Al-Shaibi

Board member

Mr Al-Shaibi was appointed a Board member of the Regulatory Authority in March 2012. Mr Al-Shaibi is presently the Chief Executive Officer (CEO) of Qatar Financial Markets Authority, prior to which he served in a number of roles within Doha Securities Market (Qatar Exchange) and Qatar Gas from 1993 to 2005.

He was the team leader behind the establishment of the Qatar Financial Markets Authority in 2006, and was actively involved in developing the Qatar Financial Markets Authority in the State of Qatar. He has held many leadership positions in the financial sector such as Vice-Chairman of the Qatar Finance and Business Academy (QFBA).

At the international level and during his current position, the Qatar Financial Markets Authority gained full membership of the International Organization of Securities Commissions (IOSCO) and became a member of the three specialised committees under the umbrella of IOSCO. He signed a partnership agreement with the Association of National Numbering Agencies (ANNA), as well as joined the membership of the Islamic Financial Services Board (IFSB). At the regional level, he was the President of the Union of Arab Securities Authorities for the year 2012-2013.

Mr Al-Shaibi has been a member of numerous national steering committees such as the Financial Stability and Risk Control Committee (FSC), the Qatar National Anti-Money Laundering and Terrorism Financing Committee (NAMLC) and the Financial Markets Development Committee (FMDC). He was also a member of the Founding Committee of the Establishment of Aspire Sports Academy.

Dr Jeffrey Carmichael

Board member

Dr Carmichael was appointed as a member of the Regulatory Authority Board in March 2012 and is a member of the Regulatory Authority's Nominations and Remuneration Committee. He is the Chief Executive Officer of Promontory Financial Group Australasia (PFGA).

Prior to joining PFGA, Dr Carmichael worked as a company director and consultant to the World Bank, the Asian Development Bank and a number of governments on issues relating to regulatory structure, design and effectiveness, debt management and training. Until June 2003, Dr Carmichael was the inaugural Chairman of the Australian Prudential Regulation Authority (APRA), with responsibility for regulating and supervising banks, insurance companies and pension funds. Dr Carmichael's career includes senior positions in a 20-year career with the Reserve Bank of Australia, seven years as Professor of Finance at Bond University, and appointment to a number of government and private sector boards and inquiries, including the Wallis Inquiry into the Australian financial system.

Jean-François Lepetit

Board member

Mr Lepetit has been a member of the Regulatory Authority Board since March 2006. He is Chairman of the Regulatory Authority's Nominations and Remuneration Committee and a member of the Audit and Risk Committee.

Mr Lepetit was formerly Chief Executive Officer of Bank Indosuez and subsequently Chairman of BNP Paribas Group's Market Risk Committee.

He has served as Chairman of the Conseil du Marché à Terme; Chairman of the Conseil des Marchés Financiers; President of the Commission des Opérations de Bourse; Chairman of the French Conseil National de la Comptabilité (and in this capacity he was also a member of the Collège d'Autorité des Marchés Financiers, Paris); a member of the Comité de la Réglementation Bancaire et Financière; and a member of Comité des Etablissements de Crédit et des Enterprises d'Investissement. Mr Lepetit is currently a non-executive director of BNP Paribas.

Robert O'Sullivan

Board member

Mr O'Sullivan has been a member of the Regulatory Authority Board since March 2006 and is Chairman of the Regulatory Authority's Audit and Risk Committee. Mr O'Sullivan was a Senior Vice President at the Federal Reserve Bank of New York where he spent nearly 38 years. He had supervisory responsibility for financial examinations covering foreign banking organisations with operations in New York, and for overseeing various technical assistance programmes to benefit foreign-based bank supervisory authorities.

Michael Ryan

Board member

Mr Ryan is the Chief Executive Officer of the Regulatory Authority. Mr Ryan joined the Regulatory Authority in 2009 from Bank of America Merrill Lynch where he served in a number of senior management positions in London and Dublin, including as Chief Executive Officer of Merrill Lynch International Bank Limited and Country Executive for Bank of America Merrill Lynch in Ireland. Prior to joining Merrill Lynch, Mr Ryan was Vice President at Credit Suisse Financial Products and an associate with Cadwalader, Wickersham & Taft specialising in banking, securities and corporate law. Mr Ryan is a member of Qatar's Financial Stability and Risk Control Committee, a member of the Qatar National Anti-Money Laundering and Terrorism Financing Committee and a member of the Board of Directors of the Qatar Financial Markets Authority.

EXECUTIVE TEAM

Errol Kruger

Managing Director,
Supervision and Authorisation

Mr Kruger has over 38 years of financial services and regulatory experience, of which 34 of those were gained with the South African Reserve Bank, where for more than two decades he focussed on supervisory matters in senior level appointments as General Manager, Registrar of Banks and Head of Bank Supervision. He assumed his current role of Managing Director, Supervision and Authorisation, at the Qatar Financial Centre Regulatory Authority in August 2011.

Mr Kruger rose to international prominence promoting sound supervisory standards and practices globally, first serving on the Core Principles Liaison Group, a sub-committee of the Basel Committee on Banking Supervision, from 2003 to 2009 (also known as International Liaison Group, since 2007) then, since 2009, representing his country as a full member of the Basel Committee on Banking Supervision. He is currently a member of the Basel Consultative Group, a sub-committee of the Basel Committee on Banking Supervision.

He is a member of the Financial Stability and Risk Control Committee which was established pursuant to Law number (13) of 2012 – Law of the Qatar Central Bank. In addition, he contributes as a speaker and presenter for various domestic and international fora. A graduate of the University of Pretoria, South Africa, Mr Kruger was awarded the Risk Manager of the Year award in 2010 from the South African Institute of Risk Management.

Otello Sturino

Managing Director,
Corporate Services

Mr Sturino was appointed Chief Operating Officer in October 2012 and Chief Financial Officer in May 2013. He was named Managing Director in September 2014, and retains the roles of CFO and COO. Prior to joining The Regulatory Authority, he was COO of State Street Global Advisors (SSgA), responsible for SSgA's global functional operations, infrastructure, trading and SSgA Canada.

Mr Sturino was the Head of State Street's International Relationship Management Group from 2004 to 2005. Between 2000 and 2004, Mr Sturino headed Cash Optimisation for the corporation and was also Division Head for State Street's worldwide end-to-end cash processing services.

Mr Sturino joined the company in 1990, serving in its Toronto office as Head of Operations and Client Services for State Street's Investor Services business area. He relocated to London in 1992 to lead Client Services. In 1994, Mr Sturino relocated to Boston to become the Global Head of Operations within State Street's Global Markets Division. Mr Sturino was also a member of State Street's Capital Committee and SSgA's Funding Committee.

Eisa Abdulla

Chief Administrative Officer

Mr Abdulla was appointed Chief Administrative Officer in June 2014. In March of 2016, he was named Chief Operating Officer of Corporate Services. In his new position, Mr Abdulla is responsible for the Regulatory Authority's Operations, IT, General Counsel, Human Resources, Translation, Organisational Development and Nationalisation, and Corporate Communications departments.

Mr Abdulla brings over 20 years of management experience to the Regulatory Authority from various industries including telecommunications, the energy sector, and transportation.

A graduate of the University of Bradford School of Engineering, Design and Technology (UK), Mr Abdulla holds a Bachelor of Science in Electrical, Telecommunication and Internet Engineering. This qualification is underpinned by professional memberships including a Diploma in Human Resources Practice from the membership of the Chartered Institute of Personnel and Development (CIPD). He is also a Fellow of the Chartered Management Institute.

Mr Abdulla serves as a Fellow of the Gulf Talent Advisory Board of Oxford Strategic Consulting, providing advice on strategic nationalisation matters.

Prue Morris

Senior Director,
Policy and Legislative Counsel

Ms Morris has over 23 years of regulatory policy experience across all financial services sectors. Ms Morris joined The Regulatory Authority in 2006, from the Australian Prudential Regulation Authority (APRA) in Australia. In January of 2015, she was appointed Senior Director of the reformulated Policy and Legislative Counsel Division. Ms Morris has been appointed to serve on several joint regulator committees in Qatar on various regulatory and legal state policy matters.

Ms Morris was previously a senior policy officer at APRA, where she was involved in prudential policy work in all sectors of financial services. From 2000 – 2006, Ms Morris was responsible for legislative work and coordination with the Commonwealth Treasury and Attorney-General's Department on APRA's policy issues.

Prior to her position with APRA, Ms Morris was involved in Australia's energy policy development as Manager, Coal Competitiveness at the Australian Department of Industry, Science and Resources. This role contributed to progressing Australia's coal-related energy policy through high-level APEC forums, and building bilateral relationships.

SUPERVISION AND AUTHORISATION

Strategic Objectives

The Regulatory Authority's Strategic Plan for Financial Sector Regulation consists of six critical goals relating to the overall objectives of the Qatar National Vision 2030 and the Qatar National Development Strategy Plan 2011-2016.

1. Enhancing regulation by developing a consistent risk-based micro-prudential framework in line with global regulatory developments and by improving disclosure practices;
2. Expanding macro-prudential oversight by building a macro-prudential framework in line with international best practice;
3. Strengthening financial market infrastructure through enhancements to the payments and settlements system and initiatives to develop the debt market;
4. Enhancing consumer and investor protection by developing standards and codes of conduct, protecting credit information and raising public awareness and education;
5. Promoting regulatory cooperation among the three regulatory authorities – the Qatar Central Bank, the Regulatory Authority and the Qatar Financial Markets Authority - and strengthening local and international cooperation;
6. Building human capital through training and professional development initiatives in the three regulatory authorities and in the financial sector more broadly.

Authorisation

Drawing on the Financial Services Regulations, the Regulatory Authority's Authorisation Division sets criteria to approve or reject applications from entities for authorisation. In making its decisions to authorise an entity, the Authorisation Division assesses various factors, including the ownership structure and governance (including the fitness and propriety of board members and senior management) of the proposed entity and its wider group, its strategic and operating plan, internal controls, risk management and projected financial condition (including capital base where relevant). Where the applicant or its parent organisation is a foreign entity, the prior consent of its home supervisor is also obtained.

The criteria for authorisation are consistent with those applied in ongoing supervision, once the entity is authorised. This includes making a determination that the proposed legal, managerial, operational and ownership structures of the authorised entity and its wider group will not hinder effective supervision on both a solo and a consolidated basis. Also forming part of the assessment criteria are the suitability of the applicant's major shareholders, including the ultimate beneficial owners, and others that may exert significant influence; the transparency of the ownership structure; the sources of initial capital; and the ability of shareholders to provide additional financial support, where needed.

At the authorisation stage, the division conducts an evaluation of the expertise and integrity of the applicant's proposed board members and senior management, and any potential for conflicts of interest (fit and proper test). This evaluation determines whether the applicant firm's board (or its governing body in the case of branches) has collective sound knowledge of the material activities the applicant intends to pursue, and the associated risks.

Authorisation places great emphasis on the proposed strategic, business and operating plans of the applicant. An assessment of these plans takes into account the applicant's proposed framework in respect of corporate governance, risk management and internal controls, including those related to the detection and prevention of money laundering and financial criminal activities as well as the oversight of proposed outsourced functions. In keeping with the Regulatory Authority's risk-focussed approach, the operational structure is required to reflect the scope and degree of complexity of the applicant's proposed activities.

During 2015, the Regulatory Authority continued to receive a steady stream of enquiries from prospective applicants, particularly from the insurance sector. A list of authorised firms can be found in Table A of this report as well as on the Regulatory Authority's public register maintained on its website.

Supervision

Banking and Investment Management

In keeping with a commitment to develop and implement a financial regulatory infrastructure that meets international standards and best practices, Supervision made good progress over the financial year and continued to deliver against the objectives and priorities set out in its Strategic Plan. The achievement of their goals was supported by specific strategies and work plans that were fully aligned with statutory objectives.

The global regulatory framework has undergone significant changes in recent years, which has resulted in material amendments to the international standards established by the international financial standard setters: the Basel Committee on Banking Supervision (BCBS), the International Association of Insurance Supervisors (IAIS) and the International Organization of Securities Commissions (IOSCO).

The reforms, aimed at strengthening, among other things, standards for capital adequacy, liquidity management and governance, have necessitated that the Regulatory Authority further hone its risk-based approach to regulating financial institutions, and place increased emphasis on regulatory cooperation and information-sharing.

2015 saw the Regulatory Authority embed and develop the use and understanding of the expanded and enhanced management information produced from XBRL data, a database that has been in use for over one year. The primary objectives were to achieve a consistent risk-based micro-prudential framework in line with global regulatory best practice, supported by the integration of a macro-prudential view.

Enhanced efficiency and effectiveness of day-to-day monitoring of regulated firms saw this risk-based approach to supervision deepen, as evidenced by increasingly differentiated supervisory programmes at each individual institution. While maintaining a bespoke approach to supervision of authorised firms and adhering to the principle of proportionality, supervisory programmes were executed to ensure that sufficient attention was paid to the identification of new and emerging risks. The division had an equal priority to, when necessary, escalate supervisory intensity when issues were identified. These efforts have helped the Regulatory Authority to tailor its on-site reviews appropriately and adjust both the frequency and the intensity of its on-site work in accordance with its risk priorities.

During 2015, the Regulatory Authority actively participated in various supervisory colleges hosted by home jurisdictions. Participation in these supervisory colleges has strengthened information-sharing with relevant home supervisors, aided in the development of a shared agenda for addressing risks and vulnerabilities, provided a sound platform for communicating key supervisory messages, and now forms a vital component of bespoke supervisory programmes.

A variety of formal training initiatives at an international level were attended by a number of staff, with the learning culture supported by department-wide usage of FSI Connect – a supervisory e-learning tool of the Bank for International Settlements' (BIS) Financial Stability Institute to which the Regulatory Authority subscribes.

The year's activities have significantly enhanced the understanding, knowledge and process of supervision, thereby contributing to overall financial stability.

A selection of charts on pages 40-49 illustrates the categories of banking sector data collected by the Regulatory Authority as part of its supervisory responsibilities. This data is used on a daily basis in the Regulatory Authority supervision practices to inform decision-making:

1. Composition of total assets
2. Composition of gross loans and advances
3. Composition of total liabilities
4. Sources of third party deposits and current accounts
5. Composition of off-balance sheet activities
6. Assets under management
7. Composition of the income statement
8. Net interest margin
9. Credit exposures by counter party
10. Sectoral distribution of gross exposures
11. Geographic distribution of gross exposures
12. Contractual maturity of assets
13. Contractual maturity of liabilities and equity
14. Market risk
15. Interest rate risk in the banking book
16. Capital adequacy

Anti-Money Laundering/ Counter Financing of Terrorism

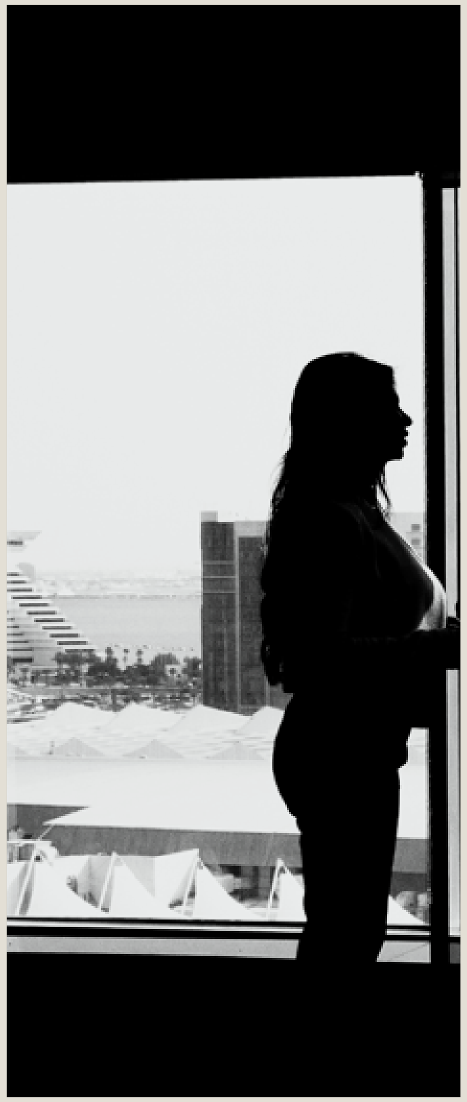
The Regulatory Authority maintains a dedicated Anti-Money Laundering/Counter Financing of Terrorism (AML/CFT) team to supervise authorised firms and designated non-financial businesses and professions (DNFBPs) within the Qatar Financial Centre and to provide technical support and expertise to other divisions of the Regulatory Authority. The AML/CFT team also works closely with the National Anti-Money Laundering and Terrorism Financing Committee (NAMLC), the Qatar Financial Information Unit (QFIU), the Qatar Central Bank, the Qatar Financial Markets Authority, the Qatar Financial Centre Authority, other State authorities and international bodies.

The primary purpose of the AML/CFT team is to act as a "watchdog" of the Qatar Financial Centre, thus minimising the opportunity for firms participating in activities that may constitute or facilitate financial crime, to reducing opportunities for financial crime more generally, and protecting the reputation of the Qatar Financial Centre.

The Regulatory Authority's AML/CFT framework promotes the effective prevention of money laundering and terrorist financing, and meets international standards and best practices. The AML/CFT team currently supervises and oversees 59 authorised firms (financial institutions) and 31 licensed firms (DNFBPs) relevant to AML/CFT obligations.

AML/CFT Strategic Objectives

1. Contributing to the ongoing development of an effective AML/CFT regime in Qatar and being actively involved in the National Risk Assessment (NRA) of Qatar;
2. Improving industry compliance of the regulated population by regular interaction with firms, including undertaking risk assessments of firms;
3. Adopting a risk-based and differentiated supervisory approach that makes optimal use of resources and does not impose an unnecessary regulatory burden on firms;
4. Enhancing financial intelligence to make best use of this knowledge on emerging money laundering and terrorism financing methods and vulnerabilities;
5. Building productive relationships to enhance interactions with domestic and international partners, government and firms; and
6. Seeking to encourage heightened industry engagement and external outreach efforts to promote a broader understanding of AML/CFT locally and internationally.



AML/CFT Supervisory Approach

The Regulatory Authority recognises the need to adopt a risk-based approach, raise awareness and provide outreach to firms of their obligations in conjunction with developing a bespoke supervisory strategy. Supervisory objectives are aligned to ensure coverage and oversight of all firms to make sure they comply with their AML/CFT obligations and balance this strategy with the risk-based approach.

There is regular supervisory engagement with all firms, either through the annual Money Laundering Reporting Officer (MLRO) report thematic review project, the Q19 DNFBP

questionnaire or the Q23 non-resident annual MLRO report. In addition, the Regulatory Authority conducts desk-based assessments and on-site Risk Assessment Visits of selected firms to determine whether

they are meeting their AML/CFT compliance responsibilities.

Risk Rating of Firms

To assist the AML/CFT team in achieving its supervisory objectives, all firms are placed on an AML/CFT heat map which risk-rates firms on a scale of very high, high, medium, low and very low. Firms on a higher risk gradient are supervised and monitored proportionately closer than lower risk-rated firms.

The supervisory objective is designed to ensure coverage of the regulated population over a broad spectrum of compliance obligations. The goal is to identify

systemic non-compliance across cohorts and identify triggers for supervisory attention.

AML/CFT Supervisory Statistics for 2015

With the implementation of the 2015 AML/CFT Strategic Plan and Supervisory Strategy, the following outcomes were achieved:

AML/CFT reviews of Qatar Financial Centre firms - 1 January to 31 December 2015

Type of Examination	On-site Reviews	Desk-based Reviews	Total
Banks	3	59	62
Insurance companies	8	34	42
Asset management companies	2	11	13
DNFBPs	6	73	79
Total	**19**	**177**	**196**

Key AML/CFT Supervisory Initiatives

Risk Assessment Visits including on-site assessments

During the year, a number of firms were selected for an AML/CFT Risk Assessment Visit to validate compliance with the relevant provisions of the AML/CFT Rules. This resulted in a number of firms entering into a Risk Mitigation Programme with the Regulatory Authority to remediate deficiencies. No instances of money laundering or terrorist financing were detected within firms.

Thematic review projects

Three thematic projects were undertaken in 2015:

Annual MLRO reporting - thematic review

This thematic review was designed to assist the Regulatory Authority to assess the level of compliance by all firms (financial institutions and DNFBPs) with the mandatory compliance reporting obligations of the MLRO to senior management, and to determine whether firms were adequately managing their AML/CFT obligations and money laundering and terrorist financing risks appropriately.

All financial institutions and DNFBPS were subject to this review, with a number of firms selected for on-site assessments. Overall, the quality of the reports differed from average to good, noting that firms needed to clearly articulate how they assessed the adequacy and effectiveness of their policies, procedures, systems and controls to mitigate money laundering and terrorist financing.

Non-Resident MLRO Reporting (Form Q23) – thematic review

This thematic review was designed to assess the level of compliance by firms (financial institutions and DNFBPs) with meeting their AML/CFT obligations with an MLRO who is not ordinarily resident in Qatar, in conjunction with reviewing the form Q23 Annual Non-Resident MLRO Report. In this regard, all form Q23 reports were reviewed and a number of firms were selected for on-site visits to assess whether they were meeting their non-residency obligations as per the AML/CFT Rules.

Most firms' non-residency arrangements satisfied the requirements of the Regulatory Authority. Overall, the quality of the reports ranged from good to, in some instances, insufficient. Insufficient reports warranted feedback letters to seek clarification and additional information to ascertain if such firms should continue to be allowed to operate under the current non-residency arrangement.

Form Q19 DNFBP AML/CFT Annual Questionnaire – thematic review

This thematic review was designed to assist the Regulatory Authority in its supervision and monitoring of DNFBPs. The purpose of this review was for the Regulatory Authority to remain informed about DNFBPs' businesses and AML/CFT framework.

All DNFBPs were required to submit their annual questionnaire (Form Q19) detailing information about their business, products and services offered to their customer base and their AML/CFT programme and framework. The Regulatory Authority was then able to assess any potential ML/TF risks posed to the Qatar Financial Centre and the State of Qatar.

Macro-Prudential Analysis

In addition to risk-based supervision at the micro-prudential, or individual firm level, in 2015 the Regulatory Authority enhanced its macro-prudential framework and oversight capabilities in line with international best practice.

In considering risks and trends from a macro-prudential perspective, the Regulatory Authority was in a strong position to apply both qualitative and quantitative tools to assist internal and external stakeholders. The goal was to identify relevant intelligence on emerging and potentially systemic risk considerations as rapidly and comprehensively as possible. The Regulatory Authority identified potential areas of supervisory concern and weakness by monitoring developments and practices across the global, regional and domestic financial industries.

The Macro-Prudential Review

In pursuit of these objectives, the Regulatory Authority's Macro-Prudential team evaluated and reported on emerging trends and risks in the international context, as well as examining the GCC region, Qatar and the Qatar Financial Centre's areas of financial activity. Key findings from across the global, regional and domestic financial system including within the Qatar Financial Centre, are covered in a comprehensive financial stability report, The Macro-Prudential Review. The report is prepared semi-annually for internal use as of the six-month periods ended 31 March and 30 September. The Regulatory Authority has produced eight reports thus far. Key findings from the reports have been integrated in risk-based reviews of individual financial institutions at the micro-supervision level.

From the multitude of financial stability issues that transpired globally, regionally and domestically during 2015, the Regulatory Authority identified ten developments and risks deemed to be the most important, given their potential to influence the financial stability outlook in the State of Qatar and in the Qatar Financial Centre.

The ten most important developments in the six-month period ended 30 September 2015 included:

1. The ongoing weakness and divergence in global growth prospects;
2. An economic slowdown in China;
3. The rapid decline in oil prices and the expectation of lower prices for a prolonged period of time;
4. US monetary policy and uncertainty;
5. The rapid growth in the shadow banking sector globally;
6. Large scale cyberattacks;
7. Iran;
8. An economic slowdown in Saudi Arabia;
9. Regional geopolitical risks and increased threats from non-state actors;
10. Qatar's slowing economy and an escalation of its banking sector risks.

From the multitude of financial stability issues that transpired globally, regionally and domestically during 2015, the Regulatory Authority identified ten developments and risks deemed to be the most important, given their potential to influence the financial stability outlook in the State of Qatar and in the Qatar Financial Centre.

Quarterly Fact Sheets

The Macro-Prudential Analysis team produces quarterly Qatar Financial Centre fact sheets with the intent of providing a current and concise macro view of the Qatar Financial Centre financial institutions sector (i.e., corporate banks, investment banks, investment managers and advisors) and the insurance sector (i.e., direct insurers, reinsurers and brokers). The fact sheets are based on aggregated data, predominantly standardised and are intended to be self-explanatory (e.g., using tables and graphs). Fact sheets highlight key facts such as the size and scope of the two sectors and in 2015 were produced for the periods ended 31 March, 30 June, 30 September and 31 December.

The financial institutions sector fact sheet included analyses and trends concerning the size and structure of the sector, business activity by license type, geography and corporate structure. It also included analyses and trends of key balance sheet and off-balance sheet items, profitability, foreign currency activity, and performance and risk ratios (such as capital adequacy, credit risk, liquidity risk and market risk as well as assets under management).

The insurance sector fact sheet included analyses and trends with regard to the size and structure of the sector, industry composition according to geography, key performance indicators categorised according to the type of insurance company operating in the Qatar Financial Centre and important balance sheet trends.

The development of robust macro-prudential capabilities was further complimented by the introduction of more frequent and granular data collected from firms based on the revised risk-based Prudential Returns since 31 March 2014. The expanded data enabled the Macro-Prudential team to produce analyses that were more timely, informative and in depth, particularly as they related to identifying issues and trends in relation to Qatar Financial Centre firms' funding, liquidity, credit and market risk considerations.

Research and analysis produced at the macro level have continued to position the Regulatory Authority to carry out its functions effectively and to contribute proactively and constructively to the work of Qatar's Financial Stability and Risk Control Committee, in close collaboration and partnership with senior members of staff from the Qatar Central Bank and the Qatar Financial Markets Authority.

During the year, the Macro-Prudential team held meetings with several other external stakeholders to identify and discuss important risks to financial stability domestically. The meetings included senior financial industry experts representing Qatar's Ministry of Planning and Statistics, the International Monetary Fund and the World Bank.

Financial Analysis

Finalised Returns and Development of Management Reports

The final set of returns that were added to the Banking iFile system for reporting periods that ended on 31 March 2015, comprised the following:

- BR050 – Supplementary data disclosures
- BR640 – Financial resources requirements for Investment Management and Advisory (INMA) firms
- BR700 – Group structure – supplementary disclosures

Expanded and revised instructions encompassing the above returns were published and the Financial Analysis team worked closely with the Policy department to develop the new Islamic Banking Business Prudential Rules 2015, which came into effect on 1 January 2016.

A total of 135 standard graphs across the eight risk areas were finalised, tested and deployed. A core set of 58 graphs was combined in a standard dashboard for quick access by supervisors, which in turn was supported by a tabular risk dashboard and data elements for the Management Information Report. Aggregate data was presented in tabular form for macro-prudential analysis in the fact sheets.

User guides were developed for all standard reports and dashboards, which were supplemented by numerous training sessions and practical demonstrations.

Among the Regulatory Authority priorities in 2016 are to monitor and adopt the Basel Committee's deliberations in the areas of revised standardised approaches and to enhance practices in micro and macro-prudential supervision.

Insurance

Revised Insurance Prudential Returns and eXtensible Business Reporting Language (XBRL)

Following a parallel run that was launched in November 2014, which involved extensive field testing with authorised firms and other stakeholders, the revised prudential returns for all insurance firms became effective 1 January 2015. This included the successful implementation of an XBRL platform for insurance firms to submit these revised prudential returns electronically to the Regulatory Authority.

Since the returns collect additional risk-based data, during 2015 the Insurance Supervision team made improvements to its internal management and financial analysis reporting to enhance the allocation of supervisory resources and allow the Regulatory Authority to supervise insurance firms more effectively.

In this regard, the Insurance Supervision team worked closely with the Regulatory Authority's Financial Analysis team and developed 150 standard graphs by risk area and business activity, taking account of the differences between insurers that are Limited Liability Companies and branches (whether conventional or Takaful insurance businesses) as well as intermediaries. The analysis was supplemented by system-generated data components for the production of each firm's Management Information Report and Risk Review analysis.

A selection of charts on pages 50-54 illustrates the categories of insurance sector data collected by the Regulatory Authority as part of its supervisory responsibilities. This data is used on a daily basis in supervision practices to inform decision-making at the Regulatory Authority:

1. Composition of total assets
2. Composition of investments
3. Composition of total liabilities
4. Premium by line of business
5. Retained premium and ceded premium
6. Combined ratio analysis
7. Composition of income statement
8. Distribution of business by geography
9. Capital adequacy for insurance LLC firms

During the course of the year the Regulatory Authority received the first Own Risk and Solvency Assessment (ORSA) reports from all Qatar Financial Centre insurers that are Limited Liability Companies. This ORSA requirement was effective from 1 January 2015, with an LLC board and senior management required to assess their firm's current and future solvency needs according to their risk profile, stress tests, strategy and business plans over the planning horizon.

This is an important enhancement to the Regulatory Authority's prudential supervision of these insurers that is in accordance with international regulatory standards and complements the regular prudential return and financial condition reporting that the Regulatory Authority continues to receive and assess.

Regulatory Cooperation with the Qatar Central Bank

In accordance with the Regulatory Authority's strategy of enhanced regulatory cooperation, during the year the Regulatory Authority assisted the Qatar Central Bank's insurance and legal departments to finalise the regulatory framework for insurance firms operating in the State of Qatar. This included the provision of technical assistance from policy to develop the regulatory regime for this sector, licensing strategy perspectives as well as training and professional development initiatives.

The Regulatory Authority's role is to ensure that the regulation of insurance firms is closely aligned between the State and the Qatar Financial Centre in the key areas of licensing, prudential requirements and market conduct requirements.

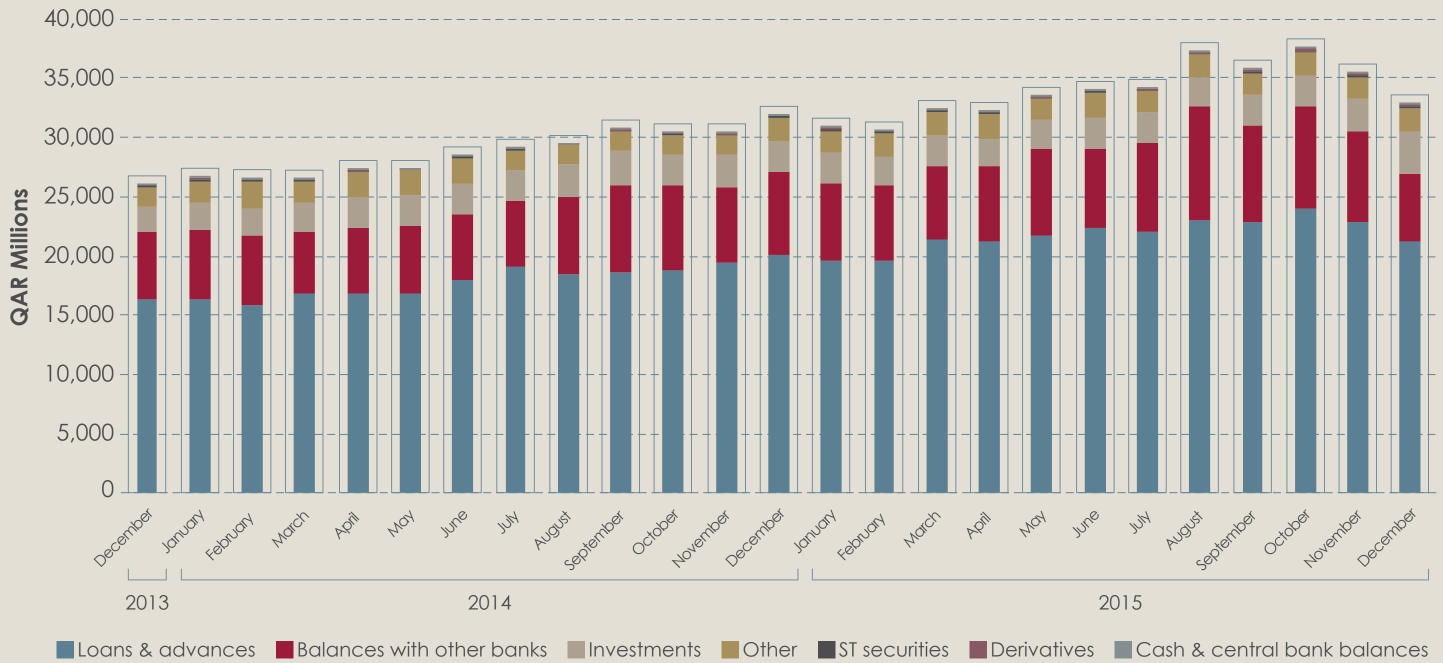
The Qatar Central Bank issued draft instructions for industry consultation in mid-2015, with finalised instructions to be issued in 2016.

Involvement with the International Association of Insurance Supervisors (IAIS)

The Regulatory Authority actively participated in and supported the work of the IAIS as well as its sub-committees. This allowed the Regulatory Authority to contribute its regional regulatory experience when appropriate to the latest policy initiatives of the IAIS as well as to monitor relevant international developments and supervisory practices. During the year the Regulatory Authority completed IAIS Self-Assessment and Peer Review questionnaires as part of its processes to regularly benchmark its regulatory regime with the latest international standards.

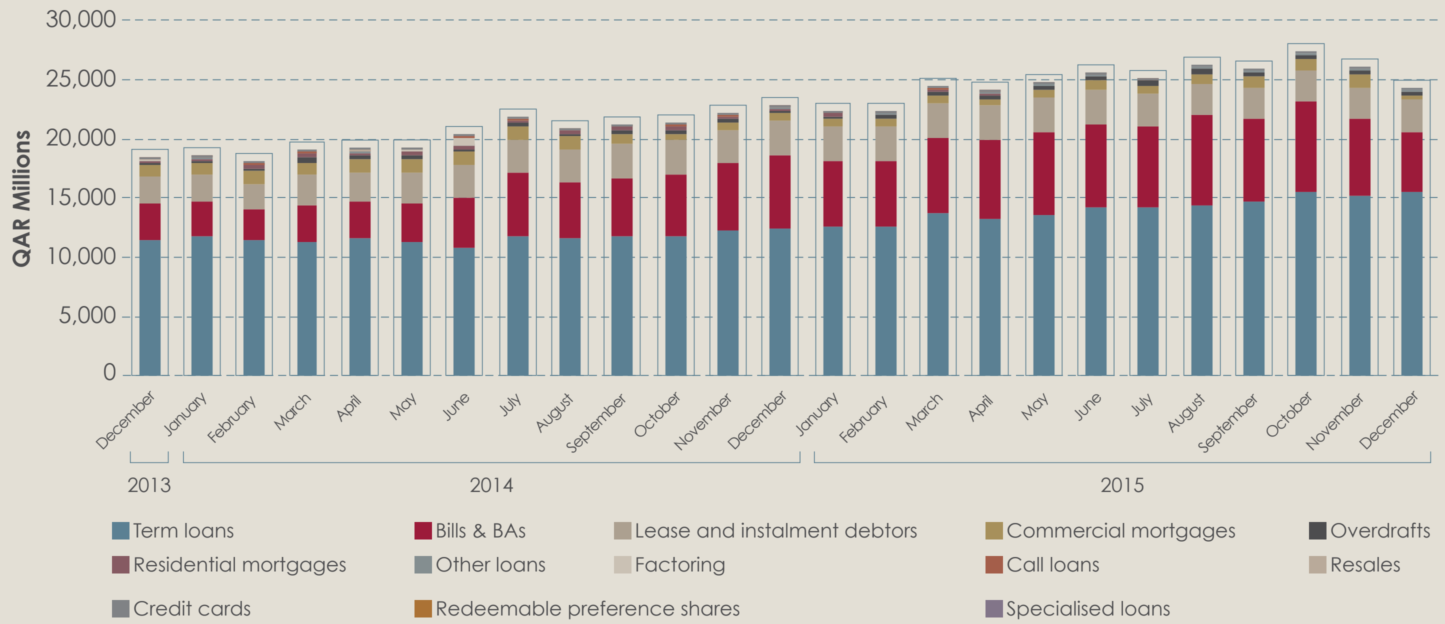
BANKING FIRMS

Composition of total assets



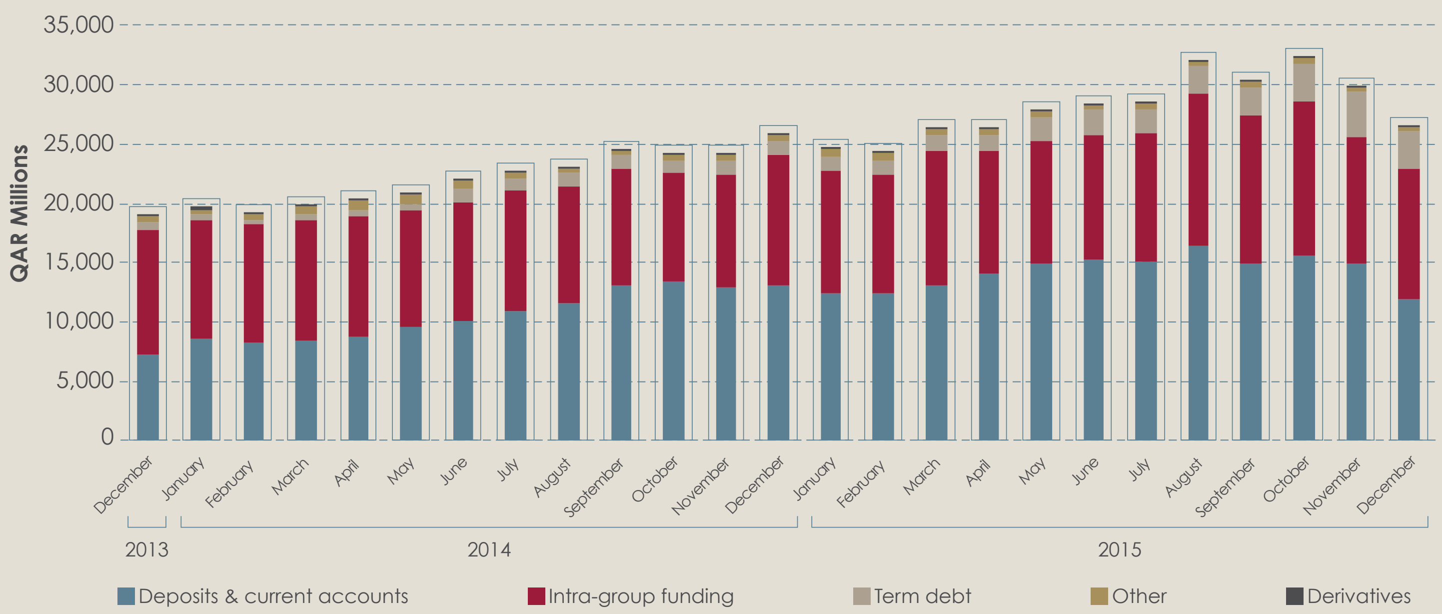
The banking sector's total assets of QAR 32.8 billion, down from the peak of QAR 37.5 billion in October, reflected slower annual growth of only 2.8% from December 2014 to December 2015 compared to 22.5% from December 2013 to December 2014. The composition has remained fairly consistent with loans and advances dominant at 65% of the total and balances with other banks following at 17%.

Composition of gross loans and advances



Loans and advances are consistently dominated by three product types, namely term loans, trade bills and lease and instalment debtors.

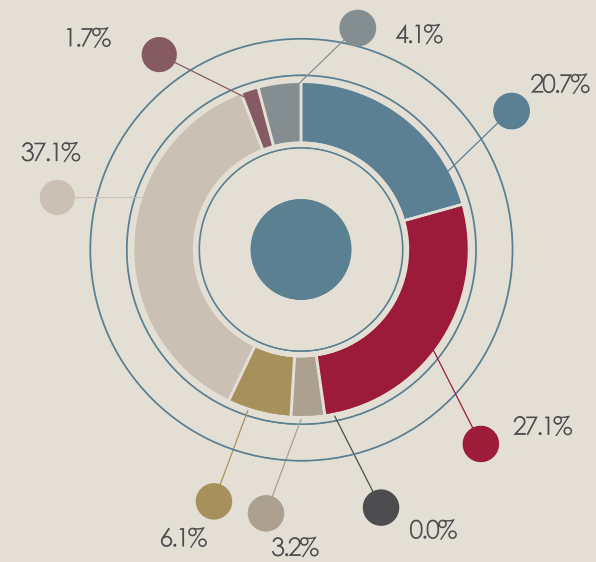
Composition of total liabilities



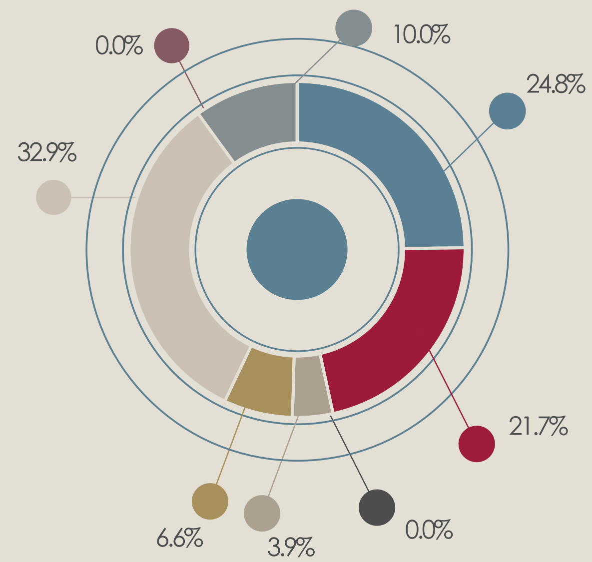
Deposits and current accounts, which are concentrated in fixed and notice deposits, represent 53% of funding, down from 58% in December 2014. The reliance on intra-group funding (excluding term debt) ended at 36%, the same level as one year ago. Term debt, albeit only 10%, has shown an increasing trend over the year.

Sources of deposits and current accounts (excluding intra-group)

2015 December



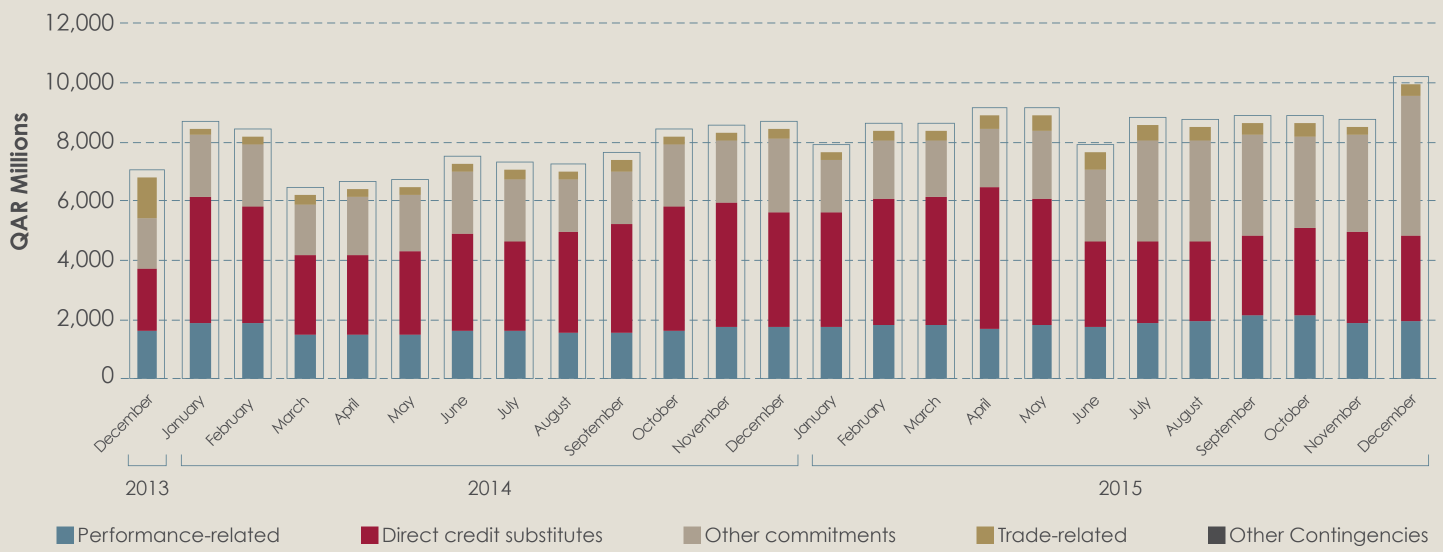
2014 December



Banks
Corporates
MDBs
"Opt-up" Business Customers
PSEs
Securities & Investment Firms
SMEs
Sovereigns

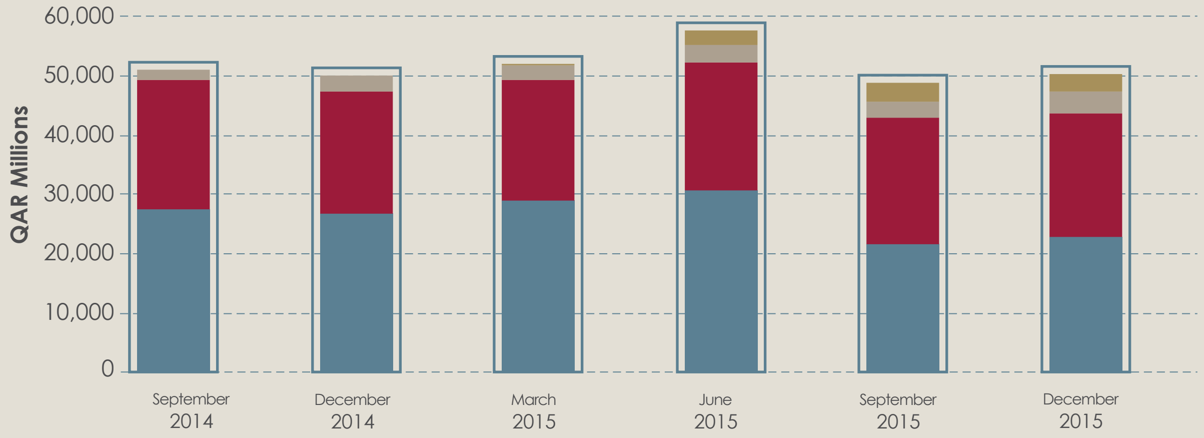
Banks decreased their reliance on non-group bank and sovereign funding, which were substituted by corporates and securities and investment firms.

Composition of off-balance sheet activities



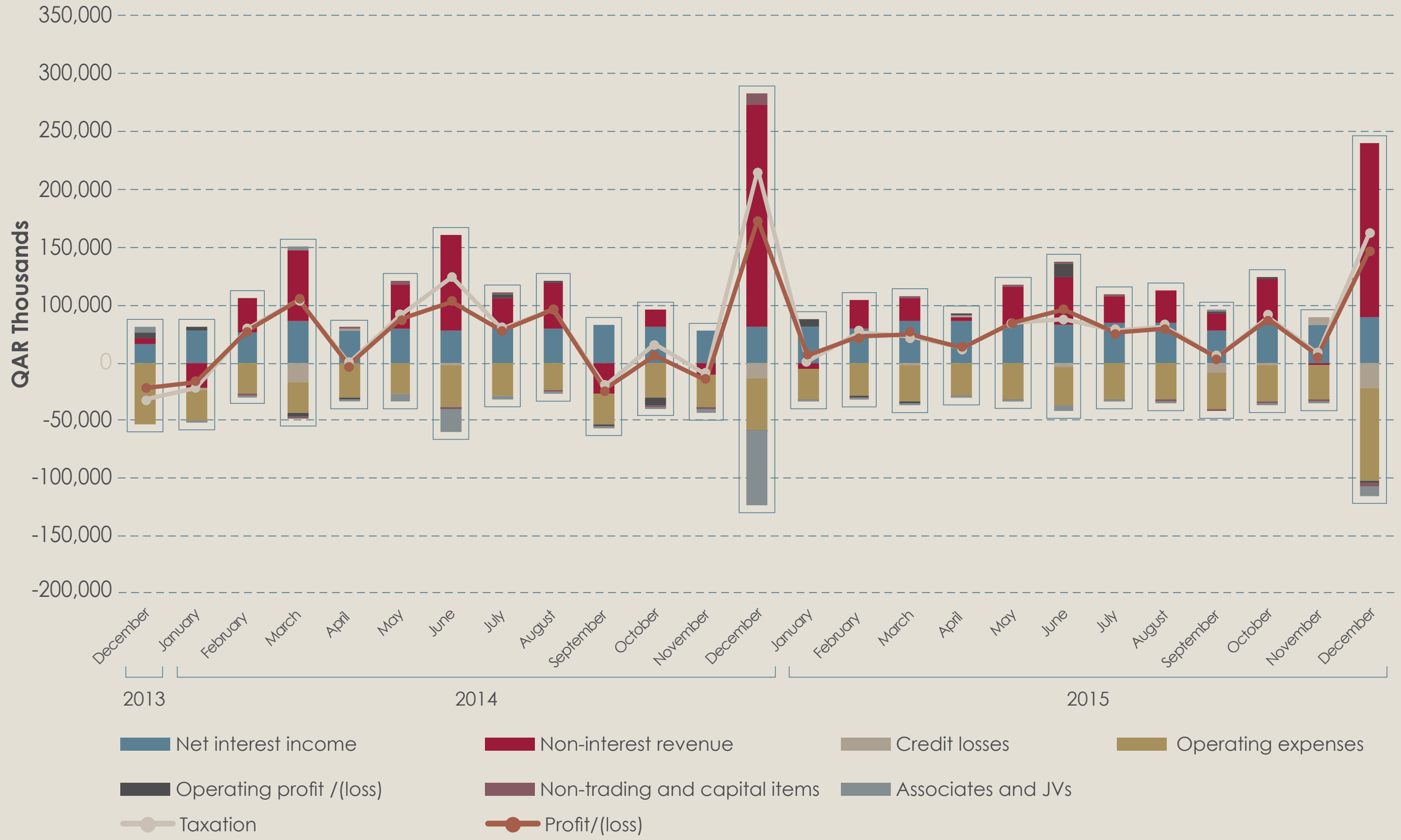
Banks' off-balance sheet activities represented between 24% and 30% of the value of on-balance sheet assets. Performance-related guarantees represent a fairly constant QAR 4 billion, while direct credit substitutes (primarily guarantees) and other commitments (representing unutilised facilities granted) are quite volatile.

Assets under management



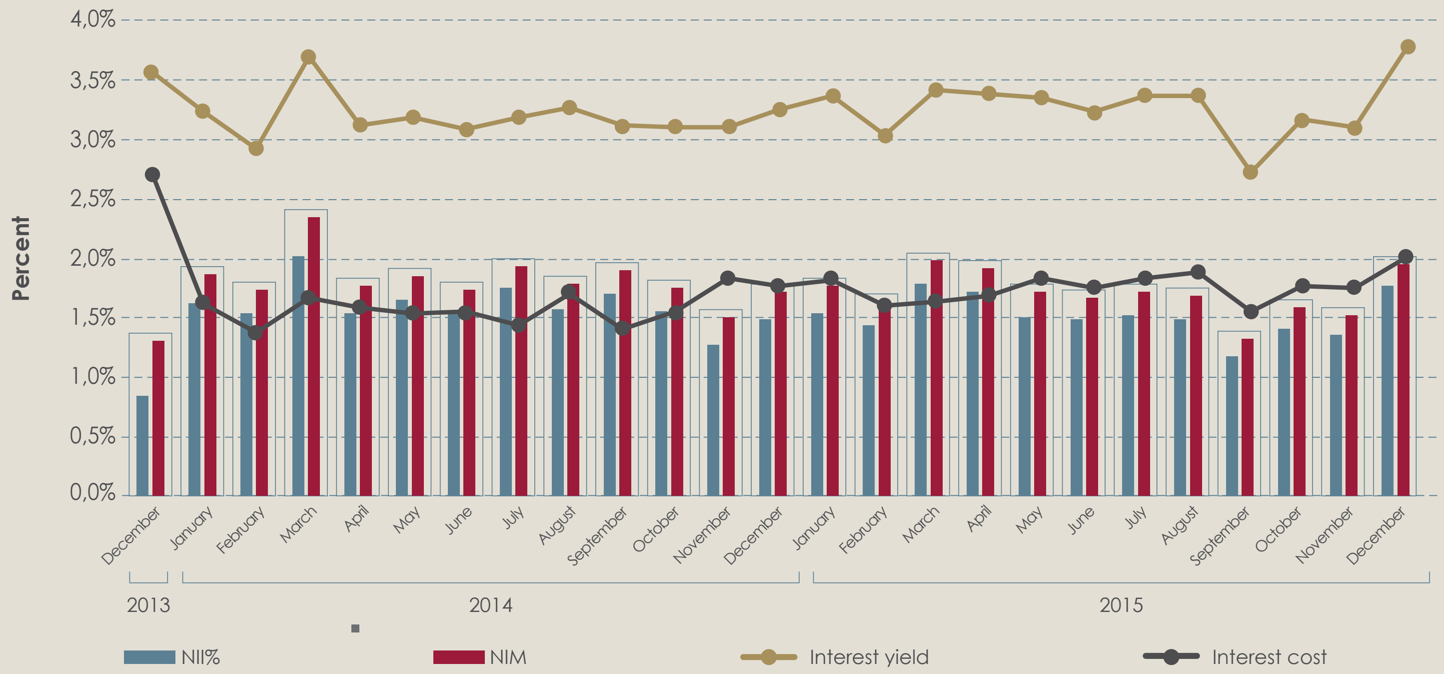
As at December 2015, assets under management amounted to QAR 44.9 billion, only a marginal increase from QAR 44.6 billion a year before and well off the high of QAR 51.5 billion in June 2015. Discretionary portfolios are the dominant activity, although those managed outside Qatar have driven the decrease from the June 2015 high.

Composition of the income statement



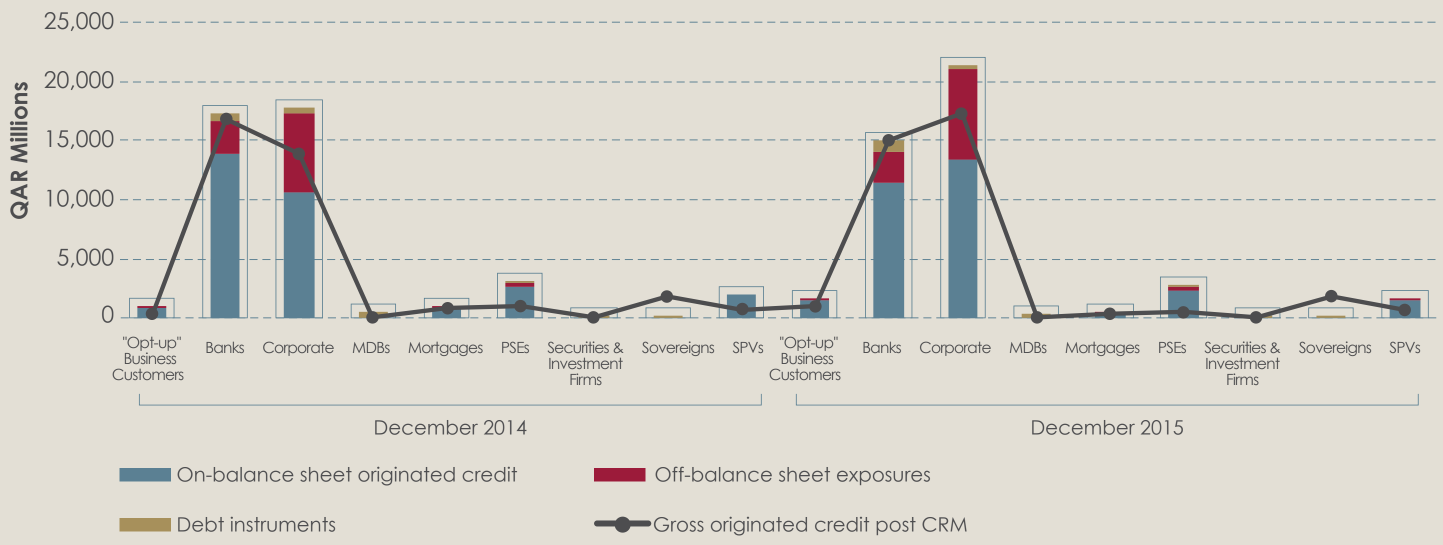
Income statement volatility is driven by the highly volatile fair value gains/(losses) on financial instruments included in non-interest revenue. Credit losses have had little cumulative impact, although general/portfolio provisions have been raised by a greater proportion of firms than in 2014.

Net interest margin



Net interest margin (NIM) trended down over the year to 1.5%, primarily due to lower yields attained, before spiking back to 1.9% in December 2015. Volatility reflected is generally driven by large value, low-margin deals.

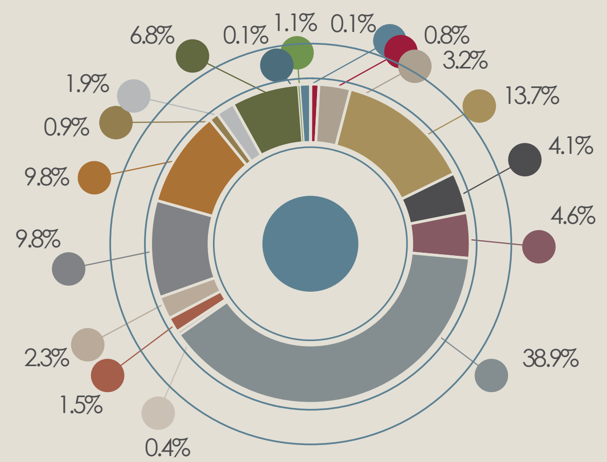
Credit exposures by counterparty



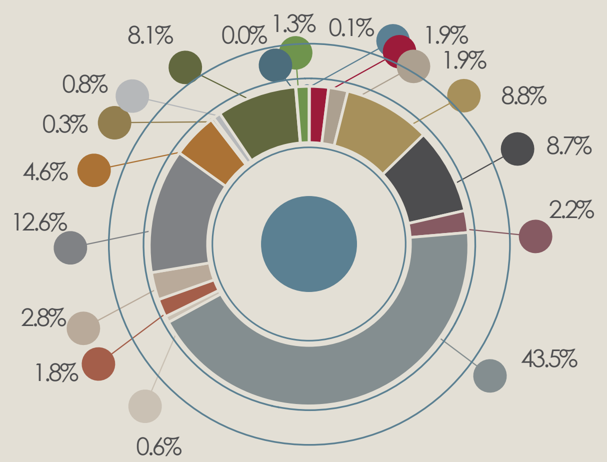
Credit exposures are dominated by corporates and banks with a fair amount of reclassification arising from credit risk mitigation (CRM) provided by banks in respect of corporates. Debt instruments are also concentrated in these two counterparties, although there are also holdings of instruments issued by Multilateral Development Banks (MDBs) and sovereigns.

Sectoral distribution of gross exposures

2015 December



2014 December



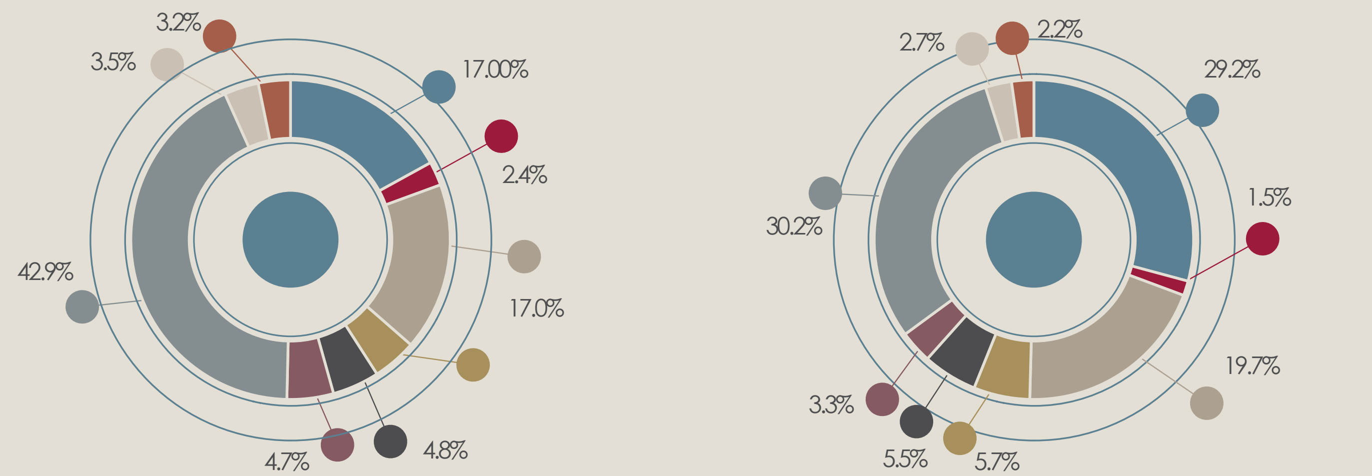
- Agriculture & Fishing
- Basic Materials
- Business Services
- Construction
- Consumer Goods
- Consumer Services
- Financials
- Government Services
- Health Care
- Industrials
- Technology
- Real Estate
- Oil & Gas
- Telecommunications
- Transport, Storage and Logistics
- Travel and Tourism
- Utilities

Gross exposures (including equity) are reflected. Some changes in the relative size of different sectors are evident, but financials have remained the largest exposure. Construction is the only other sector that exceeds 10%.

Geographic distribution of gross exposures

2015 December

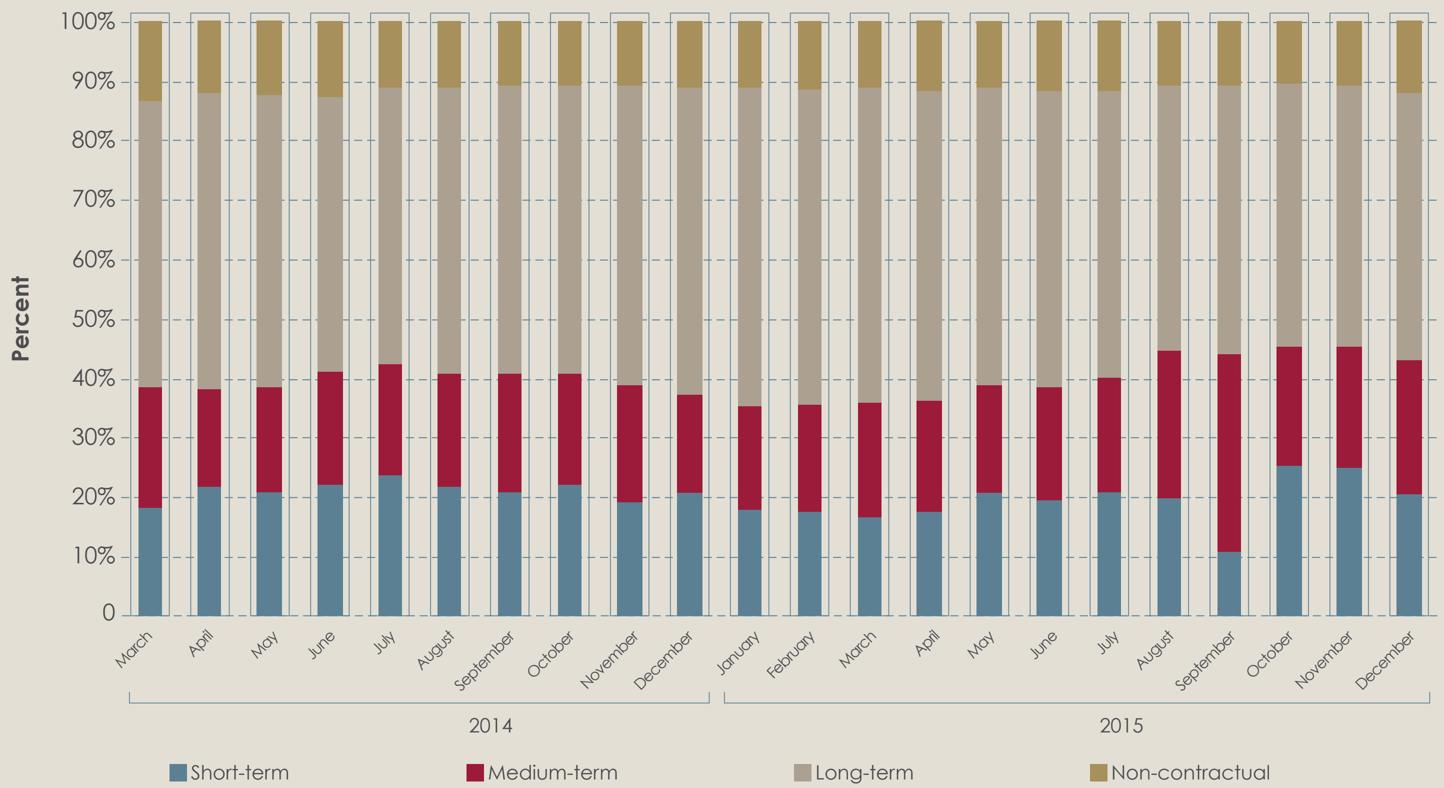
2014 December



- China (incl. Hong Kong)
- GCC excl. Qatar
- MENA excl. GCC
- Qatar
- USA
- EU
- India
- Other
- UK

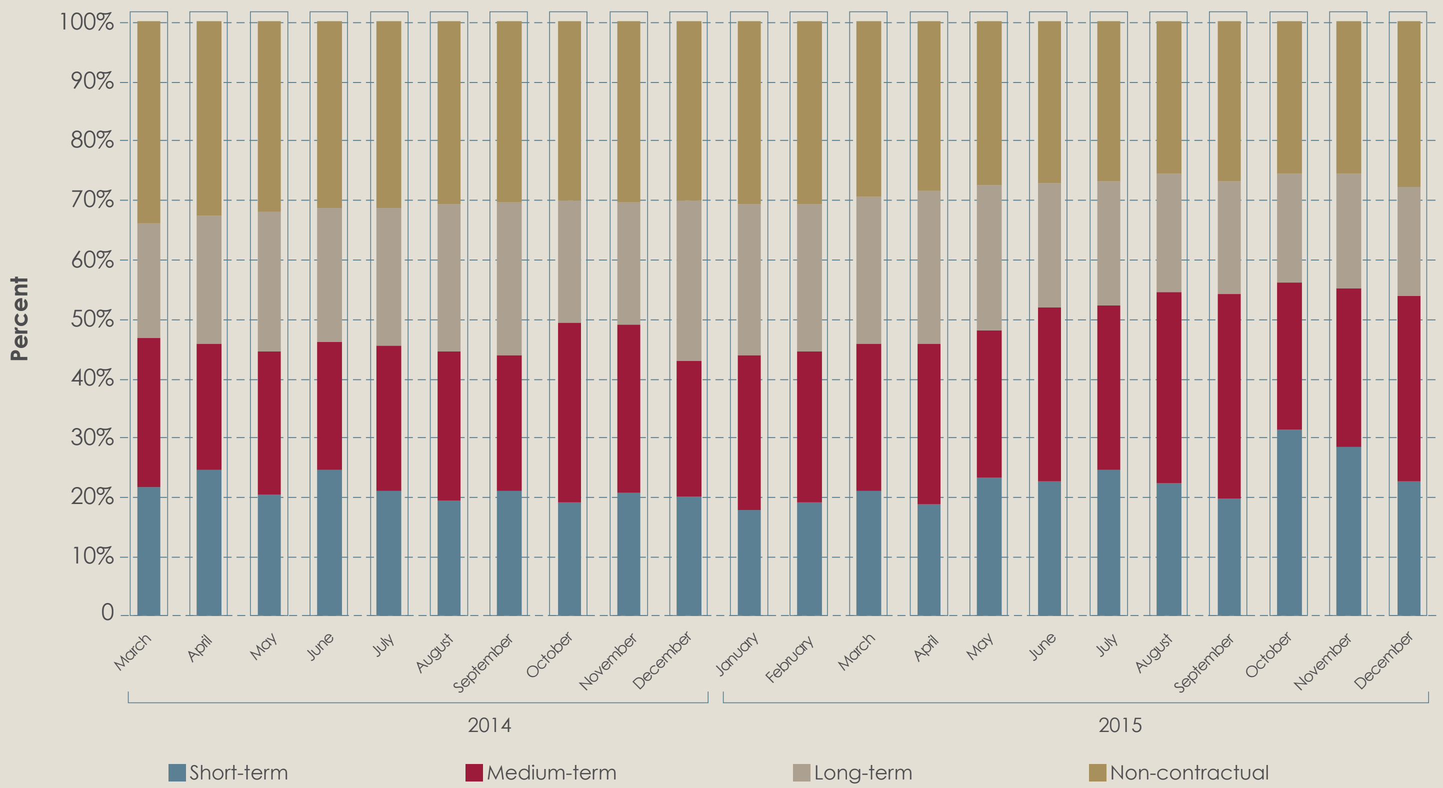
Again, gross exposures (including equity) are reflected. Qatar dominates and has grown, while China has shown a marked decrease. "Other" geographies comprise 17 countries in 2015 as compared to 16 in 2014.

Contractual maturity of assets



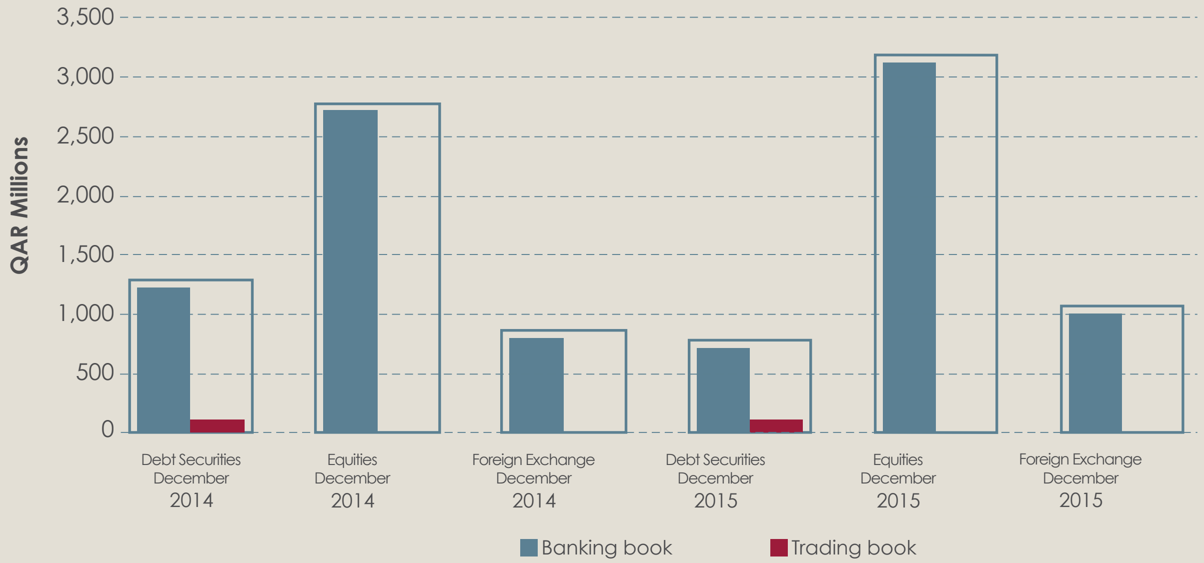
On a contractual basis, short-term and medium-term maturities combined have been approaching 50%. The dominant long-term maturities are reflective of the term-lending nature of loans and advances.

Contractual maturity of liabilities and equity



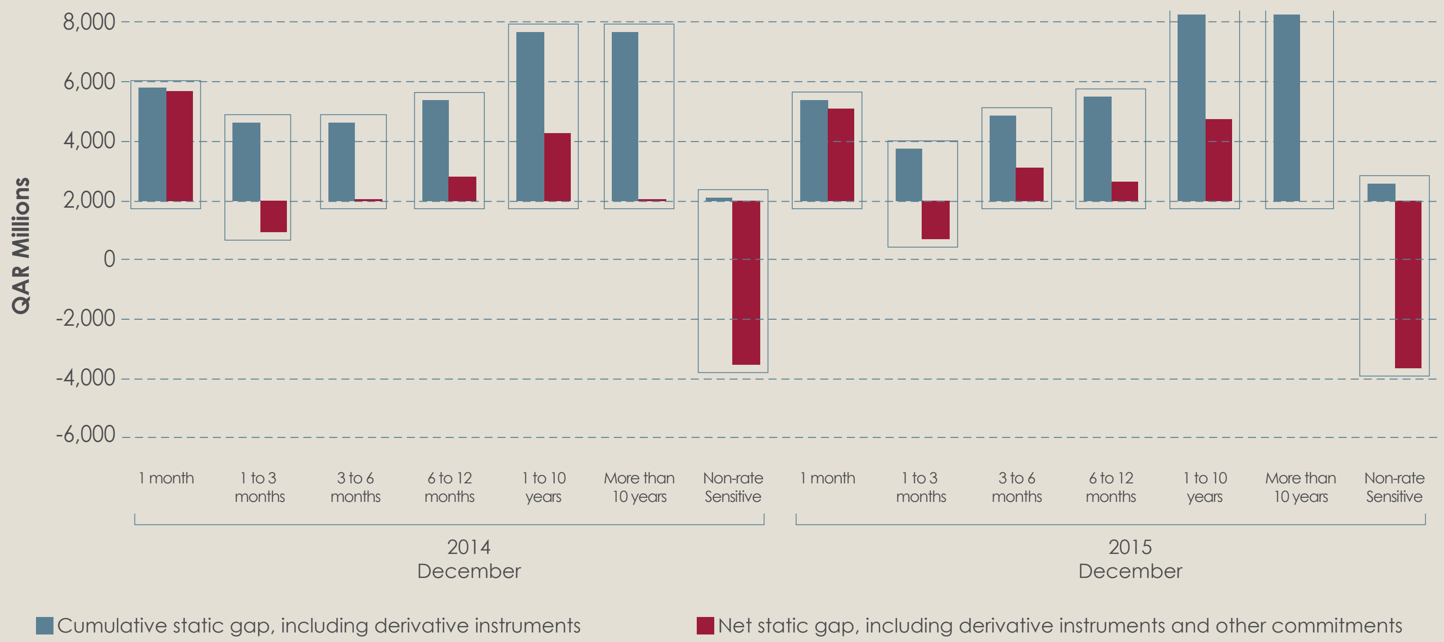
On a contractual basis, short-term and medium-term maturities combined have been approaching 60%. The non-contractual segment is largely constituted of equity.

Market risk



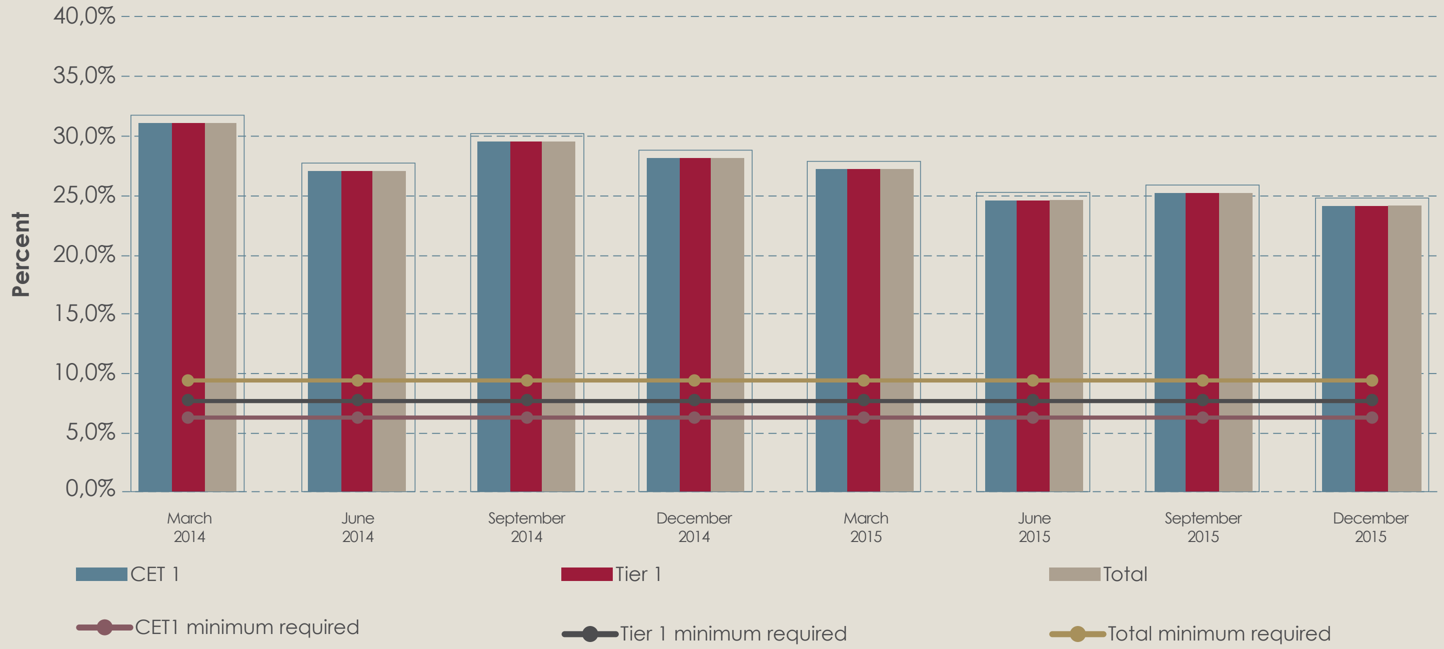
Market risk, which is minimal in aggregate, is dominated by equities, which are mostly concentrated at the investment banks. Trading books are negligible and limited to debt securities. The net open position in foreign currencies excluding USD and GCC-pegged currencies is also limited.

Interest-rate risk in the banking book



Banks have consistently been positioned for increasing interest rates.

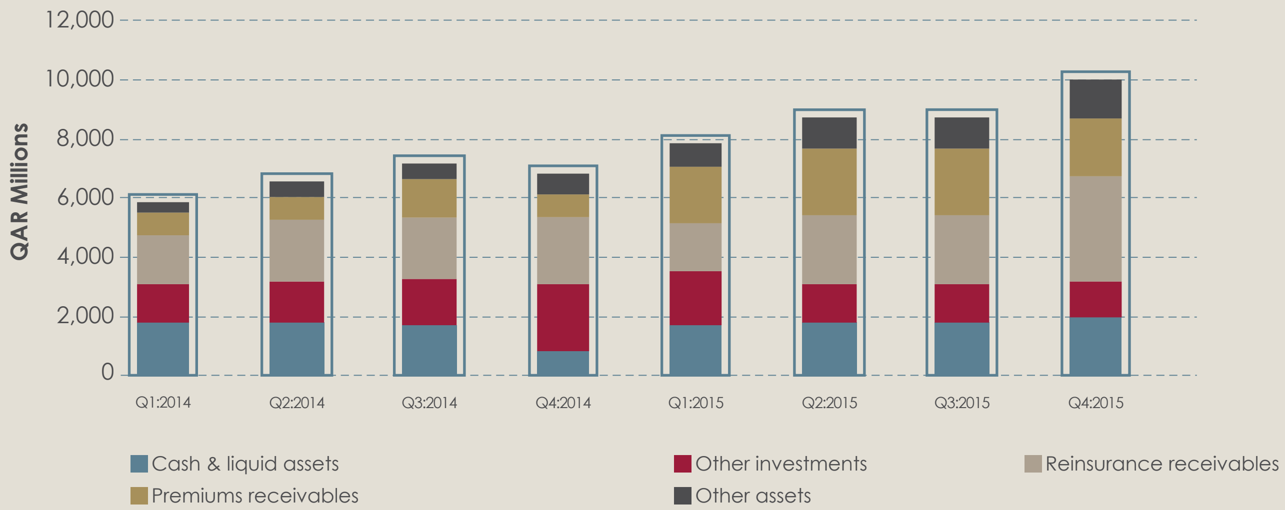
Capital adequacy



LLC firms remain well capitalised with capital predominantly comprised of CET1 capital.

INSURANCE FIRMS

Composition of total assets

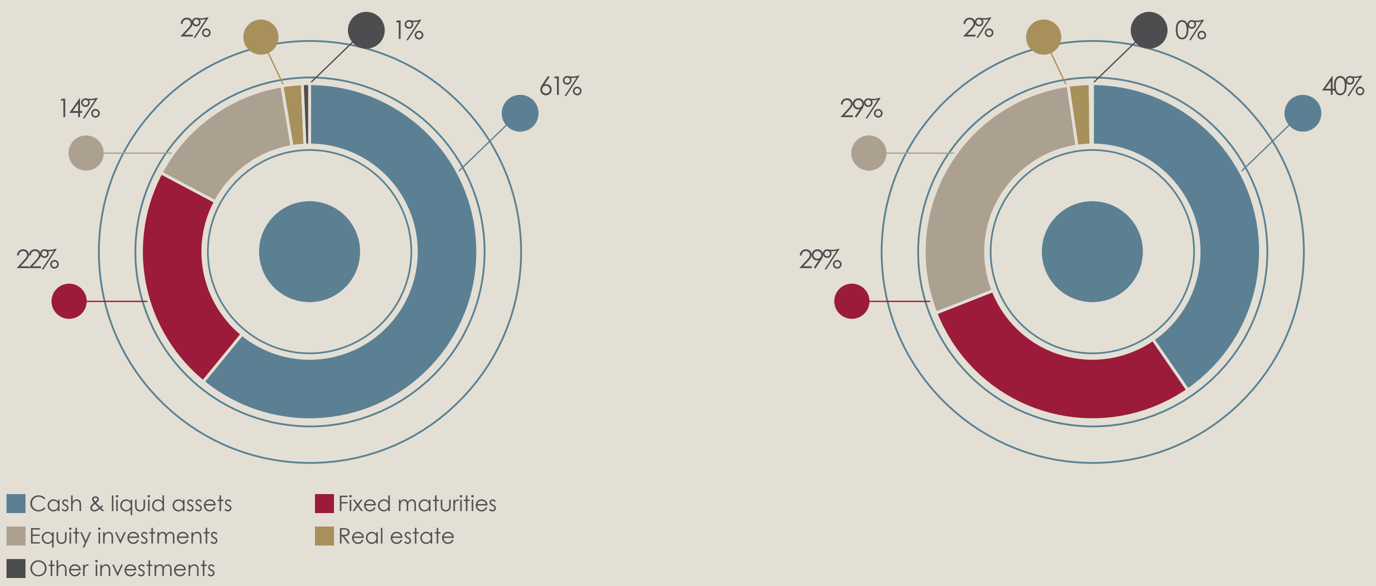


The Insurance sector's total assets have increased by 57% from QAR 6.5 billion to QAR 10.2 billion over the 12-month period ending 31 December 2015, reflecting significant growth of the sector in 2015. The composition of total assets has remained fairly consistent and is dominated by cash and other investments.

Composition of investments

Q4 2015

Q4 2014



Total investments are dominated by cash and liquid assets with an insignificant amount invested in real estate. The proportion of cash and liquid assets to total investments has increased over the 12-month period ending 31 December 2015 from 40% to 61%. The liquid nature of investments implies that liabilities, which are mostly of a short-term nature, can be met when they fall due.

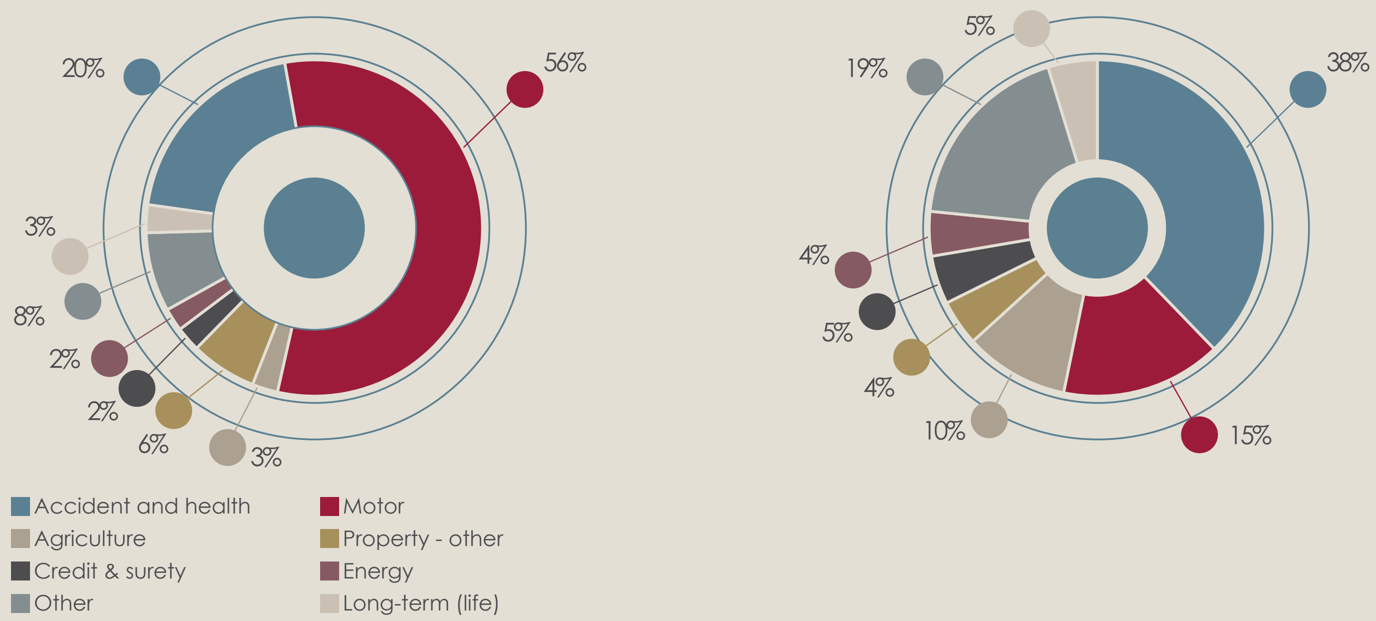
Composition of total liabilities

Total liabilities have increased by 73% from QAR 4.5 billion to QAR 7.8 billion over the 12-month period ending 31 December 2015 and are dominated by technical provisions and unearned premium reserves.

Premium by line of business

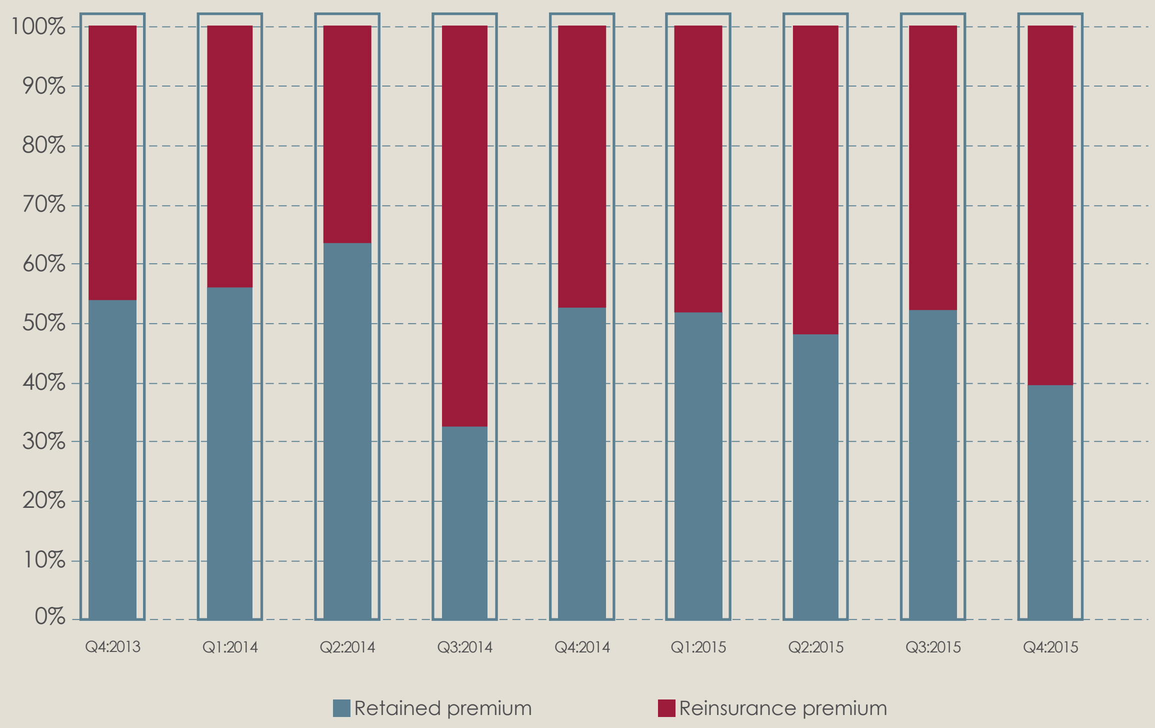
Q4 2015

Q4 2014



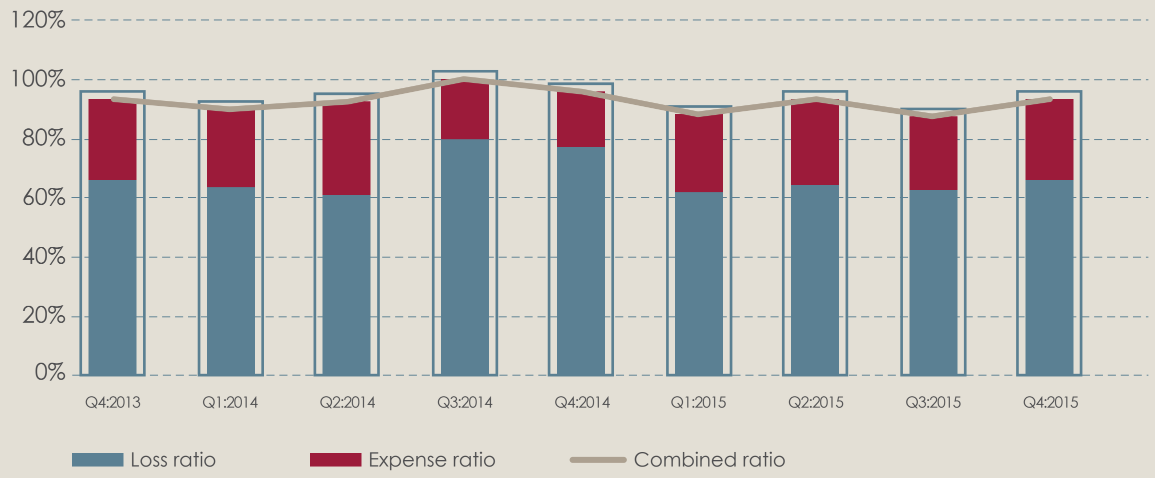
Health and motor insurance in aggregate account for 76% of total business volume as of 31 December 2015, having increased from 53% as of 31 December 2014.

Retained premium and ceded premium



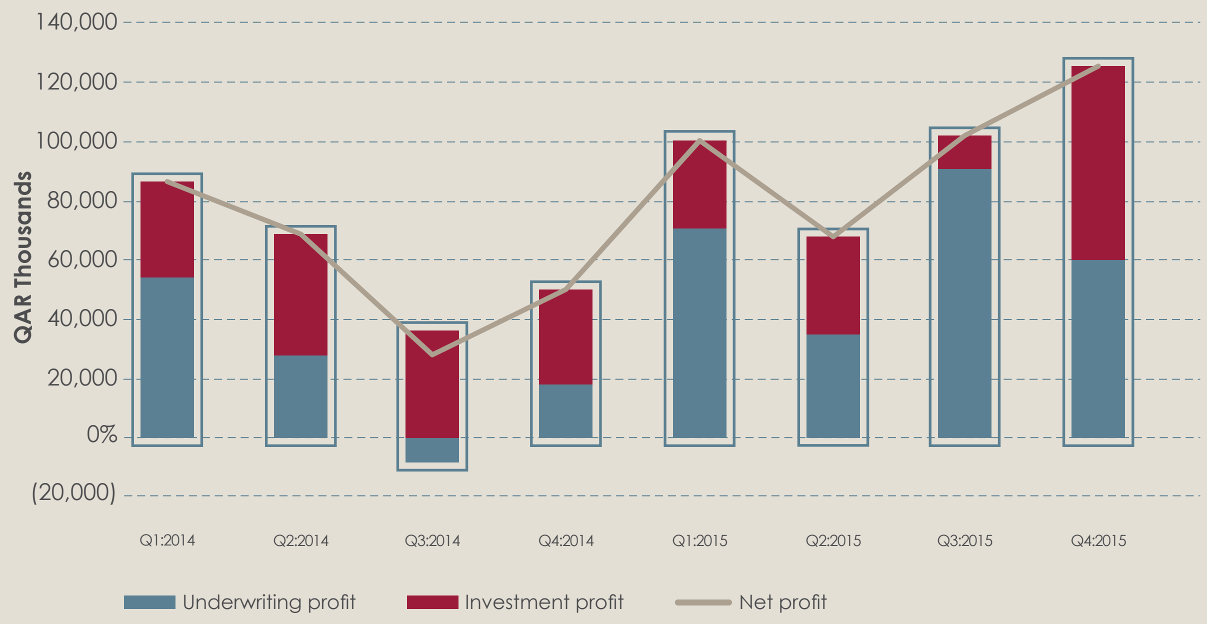
Premiums retained have decreased from 52% to 39% over the 12-month period ending 31 December 2015, with a commensurate increase in reinsurance premiums.

Combined ratio analysis



The combined ratio has generally been below 100%, i.e. premium income has been greater than claims plus expenses.

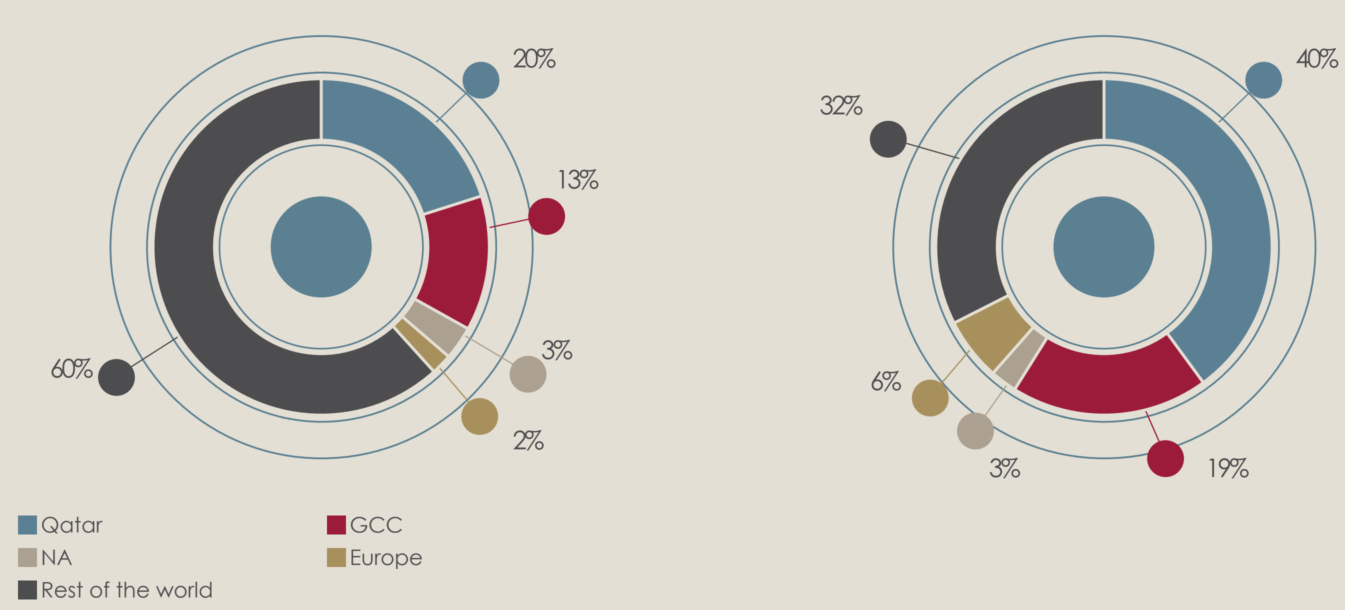
Composition of income statement



In line with the significant growth in business, net profit has increased by over 72% for the year ended 31 December 2015. Contribution of investment profit to total profit decreased over the 12-month period ending 31 December 2015, reflecting a low interest rate environment. However, some firms realised some capital gains in disposing of some of their investments, which led to the increase in investment income in the last quarter of 2015.

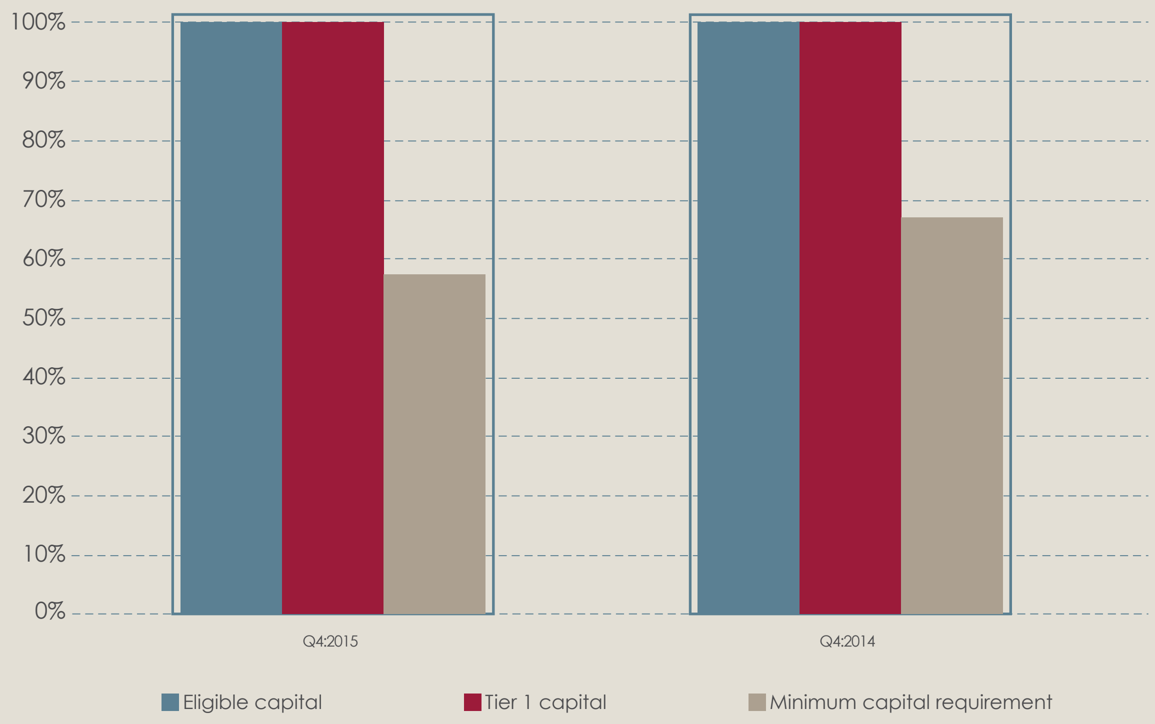
Distribution of business by geography

Q4 2015 **Q4 2014**



The proportion of business written in Qatar and other GCC countries decreased from 59% to 33% over the 12-month period ending 31 December 2015. This reflects the increase in the volume of inward reinsurance business written across the rest of the world.

Capital adequacy for insurance LLC firms



LLC insurance firms remain well capitalised with capital comprised solely of Tier 1 capital.

POLICY AND LEGISLATIVE COUNSEL

Policy and Legislative Counsel

Regulatory Policy Initiatives

The key focus of work for the Policy and Legislative Counsel department of the Regulatory Authority in 2015 was the upgraded prudential framework for Islamic banks. Other major policy work included changes to strengthen the Conduct of Business Rulebook and the Qatar Renminbi Centre initiative.

Islamic Banking Business Prudential Rules (IBANK)

Following the changes made to the conventional banking prudential framework in 2014, the Regulatory Authority began a comprehensive review of the Qatar Financial Centre Islamic banking business prudential framework. The aims of the review were to create a prudential framework for Islamic banks which aligned with the latest international regulatory standards of the Islamic Financial Services Board (IFSB) and the Islamic banking framework of the Qatar Central Bank.

The IFSB standards are designed to complement the Basel Capital framework (Basel framework) and similarly focus on capital adequacy, capital quality and risk coverage. In addition, the IFSB standards address the specific asset-backed nature of Islamic financial instruments, the risks that those instruments present to firms, their respective prudential treatment as well as guiding principles on Shari'a governance systems.

Following public consultation, the new Islamic Banking Business Prudential Rules 2016 (IBANK) were approved and came into force in January 2016. The IBANK Rules include a framework that sets out higher and better-quality capital requirements as well as an increased focus on the broader issues related to prudential risk coverage and Shari'a governance as prescribed under the IFSB framework. The introduction of the IBANK prudential rules will complement and support the ongoing work being undertaken by the Regulatory Authority on micro and macro supervision and its revised prudential reporting framework. The Regulatory Authority is working closely with the relevant Qatar Financial Centre firms on their transition into the new prudential regime.

Conduct of Business Rules

The Qatar National Vision 2030 recognises that support for entrepreneurship and small and medium-sized enterprises (SMEs) is essential to promote the diversification of the Qatari economy. This priority is also reflected in the Strategic Plan for Financial Sector Regulation 2013-2016 which promotes access to credit and venture capital funds for SMEs. In that connection, the Regulatory Authority decided to review its definition of business customer and its framework for the classification of customers more generally. Following public consultation, the revised COND framework was approved and came into force in January 2016. It is anticipated that this initiative will lend further support to improving access for SMEs to the financial services being offered in the Qatar Financial Centre.

Partnering with Peer Regulators in Qatar

The Regulatory Authority has continued to work closely with the Qatar Central Bank and the Qatar Financial Markets Authority under the auspices of the Financial Stability and Risk Control Committee chaired by His Excellency Sheikh Abdulla bin Saoud Al-Thani, Governor of Qatar Central Bank and Chairman of the Regulatory Authority. Key examples of close coordination are outlined throughout the Annual Report and in the paragraphs below.

Qatar Renminbi (RMB) Centre Initiative

In 2014, the Qatar Central Bank and the People's Bank of China signed a memorandum of understanding pursuant to which the central banks sought to cooperate to establish a framework for the clearing of RMB in Doha. Simultaneously, the People's Bank of China announced Industrial and Commercial Bank of China Limited (ICBC), Doha Branch as the RMB clearing institution for Doha. ICBC is the first RMB clearing bank in the Middle East region designated by the Chinese central bank.

Following these announcements, the Regulatory Authority commenced work with its authorised firm ICBC and the Qatar Central Bank to implement the RMB initiative. This collaborative work culminated in April 2015 with the launch of the Qatar RMB Centre under the patronage of His Excellency Sheikh Abdullah Bin Nasser Bin Khalifa Al-Thani, Prime Minister of Qatar and Minister of Interior.

The aims of the Qatar RMB Centre are to increase financial connectivity between China and the MENA region, while expanding opportunities to expand trade and investment between China, Qatar and the region. For the Regulatory Authority, it will mean an expanded scope of work, as ICBC's activities will form part of its regulatory responsibilities.

The Qatar RMB Centre is being supported by an RMB Advisory Council which is formed of State banks, the Qatar RMB clearing bank, Qatar Exchange, Qatar Central Bank, Qatar Financial Markets Authority and Regulatory Authority representatives. Its purpose is to advise on initiatives to develop and promote products and services concerning the Qatar RMB Centre.

International Cooperation

On 18 August 2015, the International Organization of Securities Commissions (IOSCO) confirmed its approval of the Regulatory Authority as an Associate Member. Having gained IOSCO membership, the Regulatory Authority is proceeding to become a signatory to the IOSCO multilateral memorandum of understanding (MMoU). In turn, this will allow the Regulatory Authority to establish a MMoU with the European Securities and Markets Authority (ESMA) and cooperation agreements with European Union members. An ESMA MMoU will enable Qatar Financial Centre firms to comply with the requirements of the Alternative Investment Fund Managers Directive.

The MoU between the Regulatory Authority and the National Bank of Kazakhstan (NBK) was signed on 25 October 2015 during a ceremony that took place at the Regulatory Authority. The MoU provides for mutual cooperation and support on financial services regulation. It was initiated at the request of NBK, which is setting up a financial services centre in Astana, Kazakhstan.

ENFORCEMENT

Enforcement

Enforcement has a crucial role in financial services regulation. It plays an integral part in supporting the Regulatory Authority's objectives to ensure the integrity of the financial system and deliver effective outcomes against firms and individuals where the need arises.

The enforcement function also aims to achieve outcomes which deter misconduct by strengthening the compliance structure within firms. Early detection, negotiation or settlement, and working with firms to enhance their training, systems and controls, risk mitigation and overall corporate governance are all part of the Enforcement methodology to deter misconduct.

When enforcement action is contemplated, the Regulatory Authority follows the processes set out in its Enforcement Policy Statement, ensuring a prompt, proportionate, fair and transparent approach to the enforcement process.

Enforcement Matters

In 2015 the Regulatory Authority concluded a number of enforcement matters in relation to firms and individuals. A significant investigation of a firm and its senior management identified serious deficiencies in systems and controls, financial management and corporate governance, which resulted in the firm being in breach of capital adequacy requirements. The enforcement investigation effected a change to systems and controls at the firm as well as changes in senior management.

Other significant enforcement matters included proceedings in the Qatar Financial Centre Civil and Commercial Court for orders to secure judgement debts against individuals who had failed to pay financial penalties following earlier enforcement action. One matter was settled after payment in full by the individual and the other resulted in an order from the Court compelling payment. Both cases demonstrate the Regulatory Authority's commitment to take all necessary action to ensure that financial penalties are recovered.

Unlicensed Financial Advisors

During 2015 the enforcement function widened its scope to have greater involvement in supporting the Strategic Plan objectives concerning unlicensed financial advisers in the State of Qatar. In particular, Enforcement has played an active role in working closely with other Qatari regulators to develop licensing systems to support consumer protection in Qatar. This is an ongoing and long-term project which will further strengthen the regulatory landscape of Qatar.

Consumer Protection

The Regulatory Authority's consumer protection framework, which includes the Customer Dispute Resolution Scheme (CDRS), is now a well-established function within the Enforcement department. The CDRS is a service which is free to all Qatar Financial Centre firms and their customers and is administered by the Regulatory Authority. Most customers' complaints are resolved directly with the firm through the firm's internal complaints system. However, where disputes remain, the CDRS assists the parties to reach an amicable resolution and if that is not possible, for the complaint to be sent to an independent adjudicator.

During 2015, four complaints were referred to the independent adjudicator, resulting in the upholding of two complaints and two outcomes in favour of the firm. The common theme in the upheld complaints was a failure to properly inform customers about fees and charges.

The Regulatory Authority also took steps during 2015 to enhance consumer protection within the Qatar Financial Centre. This included increased consumer information and guidance and changes to the CDRS regulatory framework.

Consumer information on the Regulatory Authority's website was expanded to cover matters customers should consider when making investments, as well as detailed information about CDRS processes.

The regulatory framework of the CDRS was clarified and improved with changes to the Conduct of Business Rulebook, which commenced on 1 January 2016. Notable amendments include the strengthening of provisions regarding information gathering and enforcement of awards, setting minimum qualifications for independent adjudicators, capping awards at QAR 400,000, introducing a time limit to make a complaint to the CDRS and limiting access to the CDRS to retail customers and individuals.

CORPORATE SERVICES

Corporate Services

In 2015, the Corporate Services Division completed several initiatives that were launched in 2012, relating to the strategic deployment of people, resources and technology. With prudent financial controls and operational excellence at the heart of the division, key objectives revolved around standardisation, automation, and driving a culture of best practices throughout information technology, finance, and human resources functions.

Three-Year, Four-Stage Improvement Process

2015 was a significant milestone for Corporate Services, the culmination of a three-year, four-stage improvement process. Stage one was devoted to analysis, stage two to processes, stage three to people and technology, and stage four, in December of 2015, to the onset of a continuous improvement process with enhanced reporting.

From 2012 to 2013, a Corporate Services management team established working groups to examine work flows, people and technology, and conversed with business heads throughout the Regulatory Authority to define priorities. This effort led to a plan delineating a clear segregation of duties, the integration and standardisation of systems and processes, a review and when necessary, revision of all existing policies and processes, and a call to empower employees, particularly line managers, through the creation of a centralised self-service portal that would provide access to management information and reporting.

Shared Goals and Objectives

Three departments formed a cross-divisional team to enact these priorities: Information Technology, Human Resources and Finance. The departments shared a need to review and streamline policies and procedures, to standardise processes and automate systems, and to merge their separate management systems within a central self-service portal to unify systems communication.

Driving Excellence through Integrated, Automated Systems

As part of this change management process, in early 2015, the Corporate Services team launched My Gateway Portal on the Regulatory Authority's Intranet, providing access to a new Enterprise Resource Management (ERM) system (MS Dynamics AX 2012), a centralised self-service and management database.

Numerous finance, human resources, and employee self-service functions are linked in this one-stop portal, through which employees now submit automated forms and manage information, among many other functions.

The configuration of the ERM enables managers to review and approve transactions, and access key performance indicators and other metrics through dashboards and system-generated reports. Human Resources and Finance department policies are embedded in the system's advanced workflow engine, reducing manual intervention and ensuring policy compliance.

Needs and Requirements

In 2014, following the assessment and planning phases, the cross-divisional team embarked upon the automation and integration of systems. Human Resources managed a performance management system and a separate data collection system. Finance systems included payroll and purchase requisitions, SharePoint for procurement, a stand-alone system for accounting, and many Excel and Access-based systems for record-keeping and transaction monitoring. Each of these systems required its own data entry, calling for time-consuming inter- and intra-department communication to update systems.

Human Resources Systems

The Regulatory Authority's performance management system was re-envisioned from a manual process to an automated, integrated system that is accessed via the My Gateway portal. The performance review process itself is standardised across departments and divisions, making the process clearer for both managers and employees.

Regulatory Authority employees update their own information for everything from leave requests to expense claims via My Gateway. The self-service function replaced a manual system of submitting forms to Human Resources, which was then responsible for data entry. This has resulted in more accurate and updated information across all Human Resources systems, and better accessibility to this information for managers and Human Resources staff. Policies are embedded in the system, providing guidance to employees whenever they update their information or log a request.

When employees update their information, the same changes are immediately reflected in the other Human Resources and Finance systems, saving time and resources with a single source of data entry.

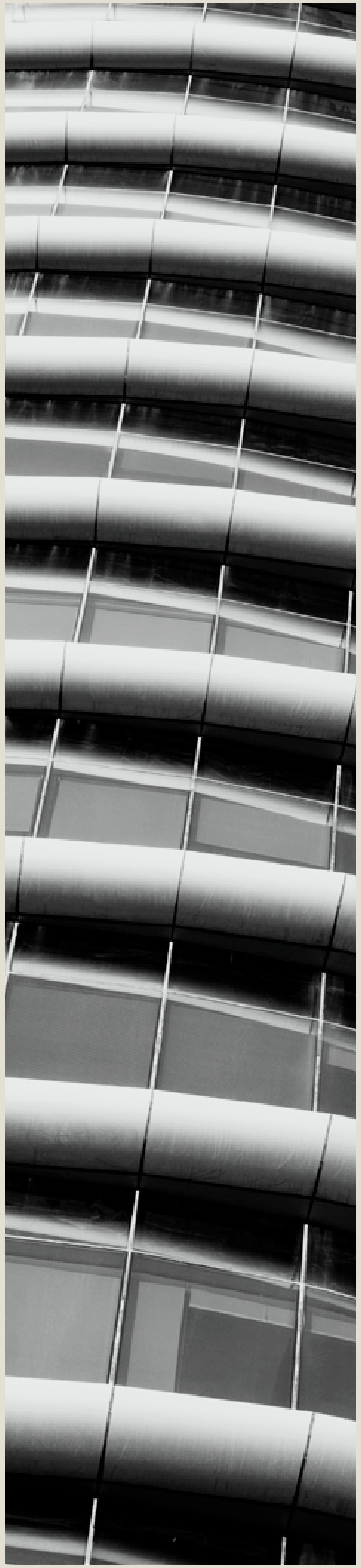
Finance Systems, Processes and Procedures

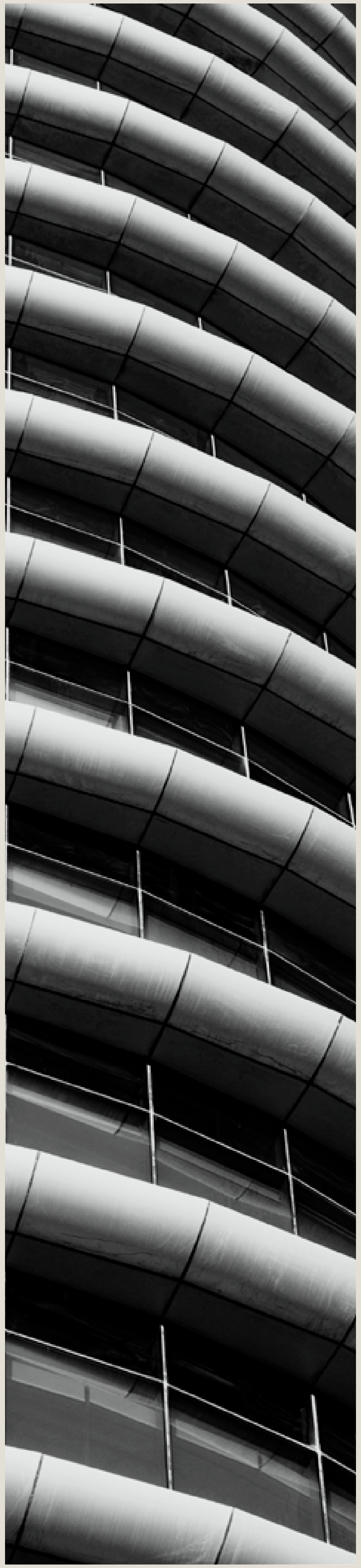
The department automated the expense claim and budget processes, with policies and workflows integrated with the system.

Monthly reconciliations were replaced with daily automated bank reconciliation. Accounting entries are auto-generated with a single data entry. Transactions and expense items are mapped to the General Ledger accounts, for a more efficient and accurate process.

The payroll process has been greatly improved with the integrated system, with automated payroll reconciliation and payment transfers.

With the system that was put into operation in early 2015, managers can access real-time financial data, with decision-making





informed with timely and accurate information. Budget reports which were previously available only by special request, are now sent monthly, allowing for routine feedback before making financial commitments.

Financial analysis is readily at hand since the 2015 adoption. Previous management requests for analysis were prepared manually on Excel-based information. Reports are now available to managers through the system within minutes, and can be customised according to individual needs.

Due to embedded controls in the integrated budget and purchase requisition systems that eliminated manual rejections of requisitions, in 2015 the Finance department reduced its budget timeline by 35 percent through this new system's approach.

Increased Value through Strategic Relationships

To streamline the purchasing process, vendors were re-categorised as strategic, preferred or mandatory. Strategic vendors, the best in the market, provide collective services and products and serve the organisation's strategic needs. Preferred vendors have provided best quality and cost services and products to the Regulatory Authority over a period of time. Mandatory vendors are the only ones available in the market, or they are ones mandated by Qatar's ministries. These categorisations have created more flexibility of choice for the Regulatory Authority, and vendor selection has improved based upon the participation of related divisions and departments.

Pre-determined User Roles with Segregation of Duties

The integrated AX-MS system greatly streamlined user roles in the finance area. Where there were multiple roles, now roles are grouped based on function, for a much more efficient and flexible structure.

Repositioning the IT Environment

Automation and standardisation of processes and procedures were also key priorities for the Information Technology function. To accomplish this, as well as to improve system reliability and security, the IT team initiated an ambitious improvement programme throughout 2014 and 2015.

Standardisation efforts focussed on the deployment of a standard software configuration with an aligned governance and change management process. The new configuration replaced a variety of configurations across Microsoft Office and other software, language and keyboard, internet browser, security and other settings.

When completed in 2015, in addition to improved employee satisfaction and productivity, benefits were evident in the faster performance and more consistent behaviour of hardware and software; faster deployment of new equipment, automated remote installation and software patching; heightened security; and reduced time and cost.

Outsourcing Specialised Tasks

In 2014, the Regulatory Authority's data centre was migrated to a robust, external, Tier 3* data centre in Qatar. Completed in early 2015, the outsourced data centre services provide the Regulatory Authority with "round the clock" systems monitoring and support and specialist IT expertise. Other services include email archiving, web mail and access via smart devices, data backup and disaster recovery.

*A Tier 3 data centre has fully fault-tolerant/ redundant hardware components and guarantees 99.982% availability.

Outsourcing was also a road to greater efficiency and cost-effectiveness for the Human Resources function, which outsourced recruitment and relocation services in 2014. This action was taken as part of the department's transformation from its previous business model to current role as strategic advisor.

A Process of Continuous Improvement

In 2013, through research and analysis of Corporate Services, a new mission and objectives were established. By September 2013, the organisation's operations functions had risen to the **enterprise level rather than at the department level,** with newly developed standards that were in the process of being implemented.

By 2014, the Regulatory Authority had **a controlled corporate operations environment,** with workflows, policies and updated procedures. Within departments, there was consistency across systems. From that point, it was a matter of enhancing the controlled stage to transform the Regulatory Authority into a world-class business environment. The aim was an environment where data was easily obtainable, one where KPIs and SLAs would be indicated.

By September of 2015, Corporate Services had reached the **managed stage,** where data was readily available and reports could be system-produced to meet a variety of needs. The goal in 2016 will be a stage of **continuous process improvement and enhanced reporting,** with regular assessments of processes, policies and reporting capabilities.

Nationalisation: Creating a Legacy of Regulators for Qatar

Qatar's National Vision 2030 envisions the country's path to becoming a knowledge-based society with substantial business sectors in areas other than fossil fuels. The finance sector is a key area of focus for Qatar, with the State's regulators playing an important role in the industry's development.

In 2014, the Regulatory Authority established a dedicated Nationalisation department, and in 2015, created and launched an ambitious programme. Designed to develop and train Qatari graduates who demonstrate an ability to meet the Regulatory Authority's need for qualified subject matter experts and leaders, the programme recruits individuals who are interested in careers in the core business areas of Supervision, Authorisation, Enforcement, Policy and Legislative Counsel.

Al Masar or The Path is a custom programme envisioned to take fresh graduates as well as Qataris who are more established in their careers, step by step through five stages of professional growth and development in the core business roles of the Regulatory Authority. Each of these stages is carefully charted and brought to life with professional training, coaching, seminars and staff mentoring.

Regulatory Authority staff have extensive experience working in financial centres from London to Dubai to Hong Kong to Sydney, among others. These financial experts are playing a major role in Al Masar career development by mentoring Qataris at entry-level through "established expert" phases and beyond.

The training and development experience is self-driven, with the individual moving through five developmental stages: core skills function rotation, relevant work-based assignments and professional certificates, international assignment and local secondments, a master's or advanced degree relevant to Regulatory Authority subject matter, and leadership preparation.

In the primary stage learning model, candidates are assessed and introduced to key business skills and competencies, team projects, knowledge of the finance sector, workplace learning, simulated case studies, and mentoring by senior colleagues.

In stage two, the challenge builds, with workshops, complex problem-solving, professional mentoring, project-based assignments, on-the-job learning, project management and teamwork to help develop on-the-job skills and experience.

With the belief that it's important to learn in different environments, in stage three, employees enrolled in Al Masar expand their knowledge by working in a relevant industry here in Qatar or experience an assignment abroad.

Stage four involves the pursuit of a post-graduate qualification, be that a law or a master's degree in an applicable topic.

In stage five, the Al Masar candidate becomes a mentor to others as he or she becomes a strategic contributor to the business, managing a team, shaping the Regulatory Authority of the future and ensuring the legacy of financial regulation in Qatar.

In addition to designing and implementing Al Masar, the Nationalisation team developed new partnerships with organisations such as the Supreme Education Council, Bedaya, the Qatar Financial Centre Authority, the Qatar Financial Markets Authority, and the Qatar Central Bank. They are also in the process of establishing partnerships that will provide international secondment opportunities to the Regulatory Authority's Qatari employees in financial institutions and regulatory organisations in Malaysia, the United Kingdom and the United States.

As awareness of Al Masar and career opportunities at the Regulatory Authority grow in Qatar, the Regulatory Authority is well-equipped to meet its own staffing needs, in line with the Qatar National Vision 2030, and to play a chief role in strengthening the State's finance sector.

TABLE A AUTHORISED FIRMS

	QFC No.	Name of Authorised Firm	Date of Authorisation	Legal Status
Corporate Banks				
1	3	Arab Jordan Investment Bank (Qatar) LLC	5/12/2005	LLC
2	27	Bank Audi LLC	21/12/2006	LLC
3	79	BLOM Bank Qatar LLC	7/4/2008	LLC
4	41	ICICI Bank Limited	21/03/2007	Branch
5	43	Citibank, N.A.	31/03/2007	Branch
6	66	Industrial and Commercial Bank of China Limited	31/01/2008	Branch
7	75	Union National Bank	8/3/2008	Branch
8	81	Samba Financial Group	25/05/2008	Branch
9	98	First Gulf Bank - QFC Branch	24/11/2008	Branch
10	137	State Bank of India – QFC Branch	7/4/2011	Branch
11	143	Abu Dhabi Islamic Bank – QFC Branch	31/07/2011	Branch
Investment Banks				
1	48	QINVEST LLC	30/04/2007	LLC
2	91	Qatar First Bank LLC	4/9/2008	LLC
Investment Managers				
1	5	Credit Suisse (Qatar) LLC	1/3/2006	LLC
2	8	AXA Investment Managers LLC	23/04/2006	LLC
3	45	Al Rayan Investment LLC	3/4/2007	LLC
4	96	QNB Capital LLC	28/09/2008	LLC
5	145	Amwal LLC	14/09/2011	LLC
6	173	Aventicum Capital Management (Qatar) LLC	23/06/2013	LLC
7	219	Investcorp Investments LLC	17/06/2015	LLC
Advisor or Advisory Firms				
1	12	QREIC Sukuk LLC	10/7/2006	LLC
2	28	Alpen Capital Investment Bank (Qatar) LLC	21/12/2006	LLC
3	116	Rothschild (Qatar) LLC	18/11/2009	LLC
4	212	Bank J. Safra Sarasin (QFC) LLC	9/2/2015	LLC
5	258	Merrill Lynch International - QFC Branch	13/09/2015	Branch
6	18	Barclays Bank PLC	10/9/2006	Branch
7	19	Morgan Stanley & Co. International plc	12/9/2006	Branch
8	32	Deutsche Bank AG Doha (QFC) Branch	28/12/2006	Branch
9	53	Goldman Sachs International	9/7/2007	Branch
10	73	Sumitomo Mitsui Banking Corporation	8/3/2008	Branch
11	87	UBS AG	23/07/2008	Branch
12	103	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	15/01/2009	Branch
13	106	Nomura International plc - QFC Branch	28/05/2009	Branch
14	128	JPMorgan Chase Bank, N.A. - QFC Branch	5/1/2011	Branch
Insurance, Reinsurance and Insurance Mediation				
1	34	QIC International LLC	12/2/2007	LLC
2	54	Doha Bank Assurance Company LLC	16/07/2007	LLC
3	57	NascoKaraoglan Qatar LLC	8/8/2007	LLC
4	85	Marsh Qatar LLC	30/06/2008	LLC
5	86	Aon Qatar LLC	22/07/2008	LLC
6	109	International Financial Services (Qatar) LLC	28/07/2009	LLC
7	113	Guardian Wealth Management Qatar LLC	20/10/2009	LLC
8	114	SEIB Insurance and Reinsurance Company LLC	21/10/2009	LLC
9	115	Chedid and Associates Qatar LLC	21/10/2009	LLC
10	141	Q Life & Medical Insurance Company LLC	30/06/2011	LLC
11	142	Daman Health Insurance Qatar LLC	27/05/2012	LLC
12	162	Lifecare International (Qatar) LLC	9/1/2013	LLC
13	24	AXA Insurance (Gulf) BSC	19/11/2006	Branch
14	35	AIG MEA Limited	18/02/2007	Branch
15	36	American Life Insurance Company (ALICO)	26/02/2007	Branch
16	67	Zurich International Life Limited	8/11/2007	Branch
17	93	Marsh Brokers Limited	14/09/2008	Branch
18	99	Nexus Financial Services WLL	30/11/2008	Branch
19	110	MedGulf Takaful – QFC Branch	9/8/2009	Branch
20	112	T'azur Company b.s.c.(c) – QFC Branch	17/09/2009	Branch
21	131	Takaful International Company – QFC Branch	15/02/2011	Branch
22	147	Bahrain National Insurance Company BSC (C) - QFC Branch	10/10/2011	Branch
23	166	Zurich Insurance Company Ltd. QFC Branch	8/10/2012	Branch
24	193	Allianz Worldwide Care S.A.	17/06/2014	Branch

ANNEXURE 1 2015 YEAR-END FIGURES

Licensed Firms							
Number as at 31 December	2009	2010	2011	2012	2013	2014	2015
Regulated	64	59	64	63	65	62	58
Non-regulated	47	45	59	76	80	104	167
Total	111	104	123	139	145	166	225

Approved Individuals							
Number as at 31 December	2009	2010	2011	2012	2013	2014	2015
Total	521	501	561	549	564	366*	348

*Customer facing function removed from list of Controlled Functions on 31 December 2014.

FINANCIAL STATEMENTS

INDEPENDENT AUDITORS' REPORT TO THE BOARD OF DIRECTORS OF QATAR FINANCIAL CENTRE REGULATORY AUTHORITY

Report on the Financial Statements

We have audited the accompanying financial statements of Qatar Financial Centre Regulatory Authority ("the QFC Regulatory Authority"), which comprise the statement of financial position as at 31 December 2015, and the statement of comprehensive income, statement of cash flows and statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Board of Directors' Responsibility for the Financial Statements

The Board of Directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as the Board of Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the QFC Regulatory Authority as at 31 December 2015, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Other Matter

The financial statements of the QFC Regulatory Authority as at and for the year ended 31 December 2014 were audited by another auditor, whose report dated 22 March 2015, expressed an unmodified opinion on those financial statements.

Report on Legal and Other Regulatory Requirements

Furthermore, in our opinion, the QFC Regulatory Authority has maintained proper accounting records and its financial statements are in agreement therewith. We have obtained all the information and explanations we required for the purpose of our audit, and are not aware of any violations of the applicable provisions of Qatar Financial Centre Law No. 7 of 2005 during the year, which might have had a material effect on its activities or its financial position.

Ernst & Young

Date: 21 March 2016

Doha

STATEMENT OF FINANCIAL POSITION

At 31 December 2015

	Notes	2015 USD '000	2014 USD '000
ASSETS			
Non-current assets			
Furniture and equipment	4	**311**	319
Intangible assets	5	**1,629**	1,696
Total non-current assets		**1,940**	2,015
Current assets			
Accounts receivable and prepayments	6	**633**	1,187
Cash and cash equivalents	7	**26,144**	25,593
Total current assets		**26,777**	26,780
TOTAL ASSETS		**28,717**	28,795
EQUITY AND LIABILITY			
Equity			
General reserve	8	**18,043**	18,043
Retained surplus	8	**3,860**	3,007
Total equity		**21,903**	21,050
Current liability			
Accounts payable and accruals	9	**6,814**	7,745
Total current liability		**6,814**	7,745
TOTAL EQUITY AND LIABILITY		**28,717**	28,795

The financial statements of the QFC Regulatory Authority for the year ended 31 December 2015 were approved by the following on behalf of the Board of Directors on 21 March 2016.

Michael Ryan

Chief Executive Officer

Otello Sturino

Managing Director – Corporate Services

The attached notes 1 to 16 form part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2015

	Notes	2015 USD '000	2014 USD '000
INCOME			
Fee income		**1,791**	1,901
Financial penalties		**-**	20
Interest income		**299**	385
Other income		**5**	7
Total income		**2,095**	2,313
EXPENSES			
Salaries and other related costs		**(32,002)**	(33,179)
General and administration expenses	10	**(5,516)**	(5,228)
Board of Directors expenses		**(859)**	(907)
Total expenses		**(38,377)**	(39,314)
EXCESS OF EXPENSES OVER INCOME FOR THE YEAR BEFORE APPROPRIATIONS		**(36,282)**	(37,001)
Appropriations from the Government	2	**37,135**	24,366
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE YEAR		**853**	(12,635)

The attached notes 1 to 16 form part of these financial statements.

STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

	Notes	2015 USD '000	2014 USD '000
OPERATING ACTIVITIES			
Excess of expenses over income for the year before appropriations		**(36,282)**	(37,001)
Adjustments for:			
Depreciation	4	**189**	161
Amortisation of intangible assets	5	**457**	301
Allowance for impairment of doubtful debts	6	**-**	83
Loss on sale of furniture and equipment		**7**	3
Interest income		**(299)**	(385)
Operating loss before working capital changes		**(35,928)**	(36,838)
Working capital changes:			
Accounts receivable and prepayments		**656**	(43)
Accounts payable and accruals		**(819)**	542
Cash flows used in operating activities		**(36,091)**	(36,334)
Interest received		**197**	417
Net cash flows used in operating activities		**(35,894)**	(35,922)
INVESTING ACTIVITIES			
Acquisition of furniture and equipment	4	**(172)**	(115)
Acquisition of intangible assets	5	**(406)**	(1,021)
Cash flows used in investing activities		**(578)**	(1,136)
FINANCING ACTIVITY			
Appropriations received from the Government	2	**37,135**	24,366
Appropriations from the Government received in advance		**(112)**	11
Cash flows from financing activity		**37,023**	24,377
INCREASE \ (DECREASE) IN CASH AND CASH EQUIVALENTS		**551**	(12,681)
Cash and cash equivalents at the beginning of the year		**25,593**	38,274
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	7	**26,144**	25,593

The attached notes 1 to 16 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

	General reserve USD '000	Retained surplus USD '000	Total equity USD '000
Balance at 1 January 2014	28,651	5,034	33,685
Total comprehensive loss for the year	-	(12,635)	(12,635)
Transfer of funds from general reserve (Note 2)	(10,608)	10,608	-
Balance at 31 December 2014	18,043	3,007	21,050
Balance at 1 January 2015	18,043	3,007	21,050
Total comprehensive income for the year	-	853	853
Balance at 31 December 2015	**18,043**	**3,860**	**21,903**

The attached notes 1 to 16 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2015

1. Activities

The Qatar Financial Centre was established by the State of Qatar pursuant to Law No. 7 of 2005 to attract international financial institutions and multinational corporations to establish business in international banking, financial services, insurance, corporate head office functions and related activities within Qatar.

The Qatar Financial Centre is organised into four authorities, the QFC Authority, The QFC Regulatory Authority, QFC Civil and Commercial Court (Court) and QFC Regulatory Tribunal (Tribunal). The QFC Authority, the QFC Regulatory Authority, the Court and the Tribunal are independent of each other and the Government of Qatar.

The QFC Regulatory Authority, the independent regulatory body, regulates licenses and supervises financial services and other firms that conduct activities in, or from, the Qatar Financial Centre. The registered office of the QFC Regulatory Authority is located at P.O. Box 22989, Doha, State of Qatar.

These financial statements only relate to the income, assets and liabilities of the QFC Regulatory Authority and do not extend to include any other bodies of Qatar Financial Centre.

The financial statements of the QFC Regulatory Authority as of 31 December 2015 were authorized for issue by the Board of Directors on 21 March 2016.

2. Economic dependency

The QFC Regulatory Authority is dependent on appropriations from the Government of the State of Qatar to fund its operating and capital expenditure.

During the year, the Government provided the QFC Regulatory Authority with appropriations amounting to USD 37,022,504 (2014: USD 24,365,569), including appropriations received in advance USD 304,408 (2014: USD 416,405). After adjusting for the movement in appropriations received in advance, USD 37,134,501 was recognised in the statement of comprehensive income for the year ended 31 December 2015 (2014: USD 24,365,569).

As per the Article 14 of Qatar Financial Centre Law No. 7 of 2005, the QFC Regulatory Authority has the right to retain any excess appropriations provided by the Government; these appropriations have been treated as part of retained surplus.

There were no transfers from/to the general reserve during the year. (For the year ended 31 Dec 2014: USD 10,607,950 has been transferred from the general reserve account to the retained surplus account).

Any transfer of amounts to and from the general reserve requires the approval of the Board of Directors.

3. Basis of preparation and significant accounting policies

3.1 Basis of preparation

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and the applicable provisions of Qatar Financial Centre Law No. 7 of 2005.

The financial statements have been prepared on the historical cost basis.

The functional currency of the QFC Regulatory Authority is Qatari Riyals ("QAR"). However, these financial statements have been presented in United States Dollars ("USD"), which is the QFC Regulatory Authority's presentation currency.

As the Qatari Riyal is pegged to the USD, the balances in QAR have been translated to USD at the exchange rate of 3.645 QAR to USD and all financial information presented in USD has been rounded to the nearest thousand USD.

3.2 Changes in accounting policies and disclosures

New and amended standards and interpretations adopted by the QFC Regulatory Authority

The accounting policies adopted in the preparation of the financial statements are consistent with those of the previous year, except for the following new and amended IFRS recently issued by the IASB and International Financial Reporting Interpretations Committee ("IFRIC") interpretations effective as of 1 January 2015:

Amendments to IAS 19 Defined Benefits Plans: Employee Contributions

Annual Improvement Cycle: 2010-2012

Annual Improvement Cycle: 2011-2013

These amendments did not have any impact on the QFC Regulatory Authority's financial position or financial results or accounting policies for the year ended 31 December 2015.

Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the QFC Regulatory Authority's financial statements are disclosed below. The QFC Regulatory Authority intends to adopt these standards, if applicable, when they become effective.

Topic	
IFRS 9 Financial Instruments	1 January 2018
IFRS 14 Regulatory Deferral Accounts	1 January 2016
IFRS 15 Revenue from Contracts with Customers	1 January 2018
Amendments to IFRS 11 Joint Arrangement: Accounting for acquisition of interest	1 January 2016
Amendments to IAS 16 and IAS 38: Clarification of acceptable methods of depreciation and amortization	1 January 2016
Amendments to IAS 27: Equity method in separate financial statements	1 January 2016
IFRS 16 Leases	1 January 2019

The QFC Regulatory Authority is assessing the impact of implementation of these standards and has not early adopted any of the above.

3.3 Summary of significant accounting policies

Revenue recognition

Fee income arising on application processing is non-refundable and accordingly is recognised as income when received. Annual license fees are recognised as income on a straight line basis over the period to which they relate.

Financial penalties

Under the Financial Services Regulations (FSR), the QFC Regulatory Authority has the power to impose financial penalties where it considers that a Person (as defined in the FSR) has contravened a relevant requirement set out in Article 84 (1) of the FSR. The principles to be followed by the QFC Regulatory Authority in determining the amount of any financial penalty to be imposed in respect of such contraventions are set out in the QFC Regulatory Authority's Financial Services (Financial Penalties and Public Censures) Policy 2009. The financial penalties are accounted on an accrual basis on the date stipulated in the order and the income is reported in the statement of comprehensive income.

Interest income

Interest income is recognized on accrued basis, using the effective interest rate method (EIR).

Appropriations from the Government

Appropriations from the Government are recognised at their fair value when there is a reasonable assurance that the appropriations will be received by the QFC Regulatory Authority, and are recognised in the statement of activities over the period necessary to match them with the costs that they are intended to compensate. The excess appropriations provided by the Government are treated as appropriations received in advance under accounts payable and accrual and are carried forward to next year.

Intangible assets

Intangible assets include cost of computer software purchased and software developed in-house. Intangible assets acquired separately are measured on initial recognition at cost. Costs associated with the development of software for internal use are capitalised only if the design of the software is technically feasible, and the QFC Regulatory Authority has both the resources and intent to complete its development and ability to use it upon completion. In addition, costs are only capitalised if the asset can be separately identified, it is probable that the asset will generate future economic benefits, and that the development cost of the asset can be measured reliably.

Only costs that are directly attributable to bringing the asset to working condition for its intended use are included in its measurement. These costs include all directly attributable costs necessary to create, produce and prepare the asset to be capable of operating in a manner intended by management.

Intangible assets are carried at cost less accumulated amortisation and impairment losses, if any. Those are amortised on a straight-line basis over a period of three years (except for the extensible Business Reporting Language (XBRL) software as mentioned in the following paragraph and Microsoft Dynamics AX which is amortised over a period of five years), commencing when the asset is available for its intended use. This expense is reported as an administration expense in the statement of comprehensive income.

"Extensible Business Reporting Language" software is carried at cost less accumulated amortisation. It is being amortised on a straight line basis over a period of five years commencing when the asset is available for its intended use. This expense is reported as an administration expense in the statement of comprehensive income.

Subsequent expenditure is only capitalised when it increases the future economic benefits embodied in the specific asset to which it relates. Where no intangible asset can be recognised, development expenditure is charged to the statement of comprehensive income when incurred.

Expenditure on research or on the research phase of an internal project is recognised as an expense in the period in which it is incurred.

Furniture and equipment

Furniture and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Capital work in progress is carried at cost.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Furniture and fixtures	3 years
Office equipment	3 years

Leasehold improvements
Lesser of 3 years or leasehold period

Expenditure incurred to replace a component of an item of furniture and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written-off. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of furniture and equipment. All other expenditure is recognised in the statement of comprehensive income as the expense is incurred.

An item of furniture and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income in the year the asset is derecognised.

The residual values, useful lives and methods of depreciation of furniture and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

The QFC Regulatory Authority determines the classification of its financial assets at initial recognition.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way purchases) are recognised at trade date, i.e., the date that the QFC Regulatory Authority commits to purchase or sell the asset.

The QFC Regulatory Authority's financial assets include fees, interest, other receivables, amount due from a related party, bank balances and cash.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as described below:

Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in the statement of comprehensive income when the receivables are derecognised or impaired, as well as through the amortisation process.

Fees receivables are stated at original invoice amount net of provisions for amounts estimated to be non-collectible.

Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired (or)
- The QFC Regulatory Authority has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the QFC Regulatory Authority has transferred substantially all the risks and rewards of the asset, or (b) the QFC Regulatory Authority has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the QFC Regulatory Authority has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all the risks and rewards of the asset, nor transferred control of the asset, the asset is recognised to the extent of the QFC Regulatory Authority's continuing involvement. In that case, the QFC Regulatory Authority also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the QFC Regulatory Authority has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the QFC Regulatory Authority could be required to repay.

Impairment of financial assets

The QFC Regulatory Authority assesses, at each reporting date, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The QFC Regulatory Authority determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The QFC Regulatory Authority's financial liabilities include trade payables and refunds to customers.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as described below:

Accounts payable and accruals

Considering the short-term nature of these liabilities, accounts payable and accruals are recognised for amounts to be paid in the future for goods or services received without discounting, whether billed by the supplier or not.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of comprehensive income.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Impairment of non-financial assets

The QFC Regulatory Authority assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the QFC Regulatory Authority estimates the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and deposits with banks held for the purpose of meeting short-term cash commitments that are readily convertible to a known amount of cash and subject to insignificant risk of changes in value.

Provisions

Provisions are recognised when the QFC Regulatory Authority has an obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Retirement benefit costs

Consequent to the Council of Ministers decision no. (11) of 2011, regarding the application of the provisions of the Retirement and Pension Law no. (24) of 2002 (the Law), for all Qatari employees of the QFC Regulatory Authority, the QFC Regulatory Authority has been admitted to the pension fund operated by the General Retirement and Social Insurance Authority (GRSIA) on 26th January 2011.

All Qatari employees must contribute 5%, and the QFC Regulatory Authority 10%, of an employee's pensionable income. The QFC Regulatory Authority's contribution is recognised as an expense in the statement of comprehensive income.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the settlement or reporting date. All differences are taken to the statement of comprehensive income.

Operating leases

Operating lease payments are recognised in the statement of comprehensive income on a straight line basis over the term of the lease.

4. Furniture and equipment

	Furniture and fixtures USD '000	Office equipment USD '000	Leasehold improvements USD '000	Capital work in progress USD '000	Total USD '000
Cost:					
At 1 January 2014	785	1,430	884	159	3,258
Additions during the year	1	114	-	-	115
Transfers	8	136	-	(144)	-
Disposals/write-off during the year	(4)	(178)	-	-	(182)
Balance at 31 December 2014	790	1,502	884	15	3,191
Additions during the year	3	85	84	-	172
Transfers	-	24	-	(8)	16
Disposal/write-off during the year	(29)	(708)	-	(7)	(744)
At 31 December 2015	764	903	968	-	2,635
Depreciation:					
At 1 January 2014	765	1,261	864	-	2,890
Charge for the year	12	137	12	-	161
Relating to disposals /write-off	(4)	(175)	-	-	(179)
Balance at 31 December 2014	773	1,223	876	-	2,872
Charge for the year	10	153	26	-	189
Relating to disposal/write-off	(29)	(708)	-	-	(737)
At 31 December 2015	754	668	902	-	2,324
Net carrying amounts:					
At 31 December 2015	**10**	**235**	**66**	**-**	**311**
At 31 December 2014	17	279	8	15	319

5. Intangible assets

	Computer software USD '000	Software development cost USD '000	Software development capital work in progress USD '000	Total USD '000
Cost:				
At 1 January 2014	553	867	693	2,113
Additions during the year	6	214	801	1,021
Transfers	-	693	(693)	-
Balance at 31 December 2014	559	1,774	801	3,134
Additions during the year	185	221	-	406
Transfers in / (Out)	286	499	(801)	(16)
Write-off during the year	(35)	-	-	(35)
At 31 December 2015	995	2,494	-	3,489
Amortisation:				
At 1 January 2014	444	693	-	1,137
Charge for the year	58	243	-	301
Balance at 31 December 2014	502	936	-	1,438
Charge for the year	134	323	-	457
Relating to write-off	(35)	-	-	(35)
At 31 December 2015	601	1,259	-	1,860
Net carrying amounts:				
31 December 2015	**394**	**1,235**	**-**	**1,629**
31 December 2014	57	838	801	1,696

6. Accounts receivable and prepayments

	2015 USD '000	2014 USD '000
Fees receivable	**-**	13
Prepaid expenses	**384**	1,032
Interest receivable	**156**	54
Other receivables	**61**	171
Amount due from a related party (Note 12)	**32**	-
Impairment allowance for doubtful debts	**-**	(83)
	633	1,187

There were no impaired accounts receivable as at 31 December 2015 (2014: USD 83 thousand).

Movements in the allowance for impairment of accounts receivable are as follows:

	2015 USD '000	2014 USD '000
Balance at 1 January	**83**	17
Charge for the year	**-**	83
Write-off	**(83)**	(17)
Balance at 31 December	**-**	83

The ageing of unimpaired financial assets is as follows:

			Past due but not impaired		
	Total USD'000	Neither past due nor impaired USD'000	0 to 60 days USD'000	60 to 90 days USD'000	> 90 days USD'000
2015	**249**	**249**	**-**	**-**	**-**
2014	155	155	-	-	-

Unimpaired financial assets are expected, on the basis of past experience, to be fully recoverable. It is not the practice of the QFC Regulatory Authority to obtain collateral over receivables.

7. Cash and cash equivalents

Cash and cash equivalents included in the statement of cash flows consist of the following:

	2015 USD '000	2014 USD '000
Cash on hand	**-**	1
Bank balances*	**26,144**	25,592
	26,144	25,593

*These represent deposits with banks held for the purpose of meeting short-term cash commitments, having interest rates up to 2% (2014: 1.5%).

8. Equity

General reserve

There were no movements in the general reserve for the year ended 31 December 2015 (2014: USD 10,607,950 has been transferred from the general reserve account to retained surplus account).

Any transfer of amounts to and from the general reserve requires the approval of the Board of Directors.

Retained surplus

In accordance with Article 14 of the Qatar Financial Centre Law No. 7 of 2005, the Board of Directors has the right to retain the excess appropriations from the Government. This surplus can be used for any activities of the QFC Regulatory Authority.

9. Accounts payable and accruals

	2015 USD '000	2014 USD '000
Accrued expenses	**4,115**	4,855
Advances from customers	**1,500**	1,570
Government assistance received in advance (Note 2)	**304**	416
Trade payables	**420**	387
Charges recovered (note i)	**284**	284
Amount due to a related party (Note 12)	**191**	-
Refunds to customers (note ii)	**-**	216
Employees' annual gratuity	**-**	17
	6,814	7,745

Note (i)

Charges recovered represent the costs of investigation recovered from registered entities and is to be set off against future investigation expenses.

Note (ii)

Refunds to customers represents refund of annual fees paid by eight Insurance Intermediaries firms that overpaid in the years 2012-2014.

10. General and administration expenses

	2015 USD '000	2014 USD '000
Rent	**1,870**	1,627
Consultancy and professional fees	**1,112**	1,392
Amortisation of software costs (Note 5)	**457**	301
Depreciation (Note 4)	**189**	161
Other expenses	**1,888**	1,747
	5,516	5,228

11. Commitments

	2015 USD '000	2014 USD '000
Rental commitments:		
Minimum lease rental payable under non-cancellable commitments		
Within one year	1,997	1,073
After one year but not more than five years	2,934	92
	4,931	1,165
Other non-cancellable commitments		
Within one year	792	471
After one year but not more than five years	328	213
	1,120	684

12. Related party disclosures

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties include other Qatar Financial Centre bodies, associated government departments and ministries, directors and key management personnel of the QFC Regulatory Authority, and bodies of which they are principal owners. Pricing policies and terms of these transactions are approved by the QFC Regulatory Authority's management.

Related party balances
Balances with related parties are as follows:

	Amount due from		Amount due to	
	2015 USD '000	2014 USD '000	2015 USD '000	2014 USD '000
Qatar Financial Centre Authority	-	-	191	-
Qatar Central Bank	32	-	-	-

Related party transactions
The significant related party transactions are as follows:

	2015 USD '000	2014 USD '000
Appropriations from Government	37,023	22,039
Services from Qatar Financial Centre Authority	1,863	1,662
Services and expenses paid on behalf of related parties	208	-

Compensation of key management personnel
Key management personnel include Board of Directors, Chief Executive Officer, Managing Directors, Chief Operating Officer, Chief Financial Officer and Chief Administrative Officer. Key management personnel remuneration includes the following expenses:

	2015 USD '000	2014 USD '000
Short-term benefits	5,053	4,602

13. Financial risk management

The QFC Regulatory Authority's financial liabilities comprise trade payables and refunds to customers. The main purpose of these financial liabilities is to finance the Regulatory Authority's operations and to provide guarantees to support its operations. The QFC Regulatory Authority's financial assets include fees, interest, other receivables, amount due from a related party, bank balances and cash that derive directly from its operations.

The QFC Regulatory Authority is exposed to market risk, credit risk and liquidity risk. The management has overall responsibility for the establishment and oversight of the QFC Regulatory Authority's risk management framework. The QFC Regulatory Authority's risk management policies are established to identify and analyse the risks faced by the QFC Regulatory Authority, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the QFC Regulatory Authority's activities.

This note presents information about the QFC Regulatory Authority's exposure to each of the above risks. Further quantitative disclosures are included throughout these financial statements.

Market risk

Market risk is the risk that changes in market prices, such as interest rates and foreign currency exchange rates will affect the Branch's profit or the value of its holdings of financial instruments. The objective of market risk management is to manage and control the market risk exposure within acceptable parameters, while optimizing return.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The QFC Regulatory Authority is not exposed to interest rate risk on its interest bearing assets (bank deposits) as the interest rate on bank deposits is fixed. The statement of comprehensive income and equity is not sensitive to the effect of reasonable possible changes in interest rates, with all other variables held constant, as the QFC Regulatory Authority does not hold any floating rate financial assets or financial liabilities at the reporting date.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The QFC Regulatory Authority's principal business is conducted in United States Dollar and Qatari Riyal. As the Qatari Riyal is pegged to the United States Dollar, there is considered to be minimal currency risk.

Equity price risk

Equity price risk is the risk that the fair values of equities decrease as a result of changes in the levels of equity indices and the value of individual stocks. The QFC Regulatory Authority is not exposed to equity price risk since it does not hold any investment in equity instruments.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge its obligation. The QFC Regulatory Authority exposure to credit risk is indicated by the carrying values of its assets which consist principally of bank balances, fees and other receivables.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2015 USD '000	2014 USD '000
Interest receivables	**156**	54
Other receivables – net	**61**	101
Amount due from a related party	**32**	-
Bank balances	**26,144**	25,592
	26,393	25,747

Credit risk in respect of bank balances is limited as the QFC Regulatory Authority only deals with highly reputable banks in Qatar and abroad.

Liquidity risk

Liquidity risk is the risk that the QFC Regulatory Authority is unable to meet its payment obligations associated with its financial liabilities that are settled by delivering cash or another financial assets when they fall due. The QFC Regulatory Authority limits its liquidity risk by securing appropriations from the Government to finance its operating and capital expenditure. The QFC Regulatory Authority's terms of services require amounts to be paid within 30 days of the date of service.

The table below summarizes the maturity profile of the QFC Regulatory Authority's financial liabilities at 31 December based on contractual undiscounted payments.

31 December 2015	**Carrying amount USD '000**	**Contractual undiscounted cash flows USD '000**	**Less than 6 months USD '000**
Trade payables	420	420	420
Accrued expenses	4,115	4,115	4,115
Amounts due to a related party	191	191	191
Total	**4,726**	**4,726**	**4,726**

31 December 2014	Carrying amount USD '000	Contractual undiscounted cash flows USD '000	Less than 6 months USD '000
Trade payables	387	387	387
Accrued expenses	4,855	4,855	4,855
Refunds to customers	216	216	216
Total	5,458	5,458	5,458

14. Fair values of financial instruments

Financial instruments include financial assets and liabilities. The QFC Regulatory Authority does not have any financial assets or financial liabilities which are measured at fair value. The fair values of financial instruments are not materially different from their carrying values.

15. Significant assumptions, estimates and judgements

The preparation of the QFC Regulatory Authority's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts recognised in the financial statements and certain disclosures. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in future periods.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Useful lives of property, plant and equipment

The QFC Regulatory Authority's management determines the estimated useful lives of its furniture and equipment for calculating depreciation. The estimate is determined after considering the expected usage of asset or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charge would be adjusted where the management believes the useful lives differ from previous estimates.

Useful lives of intangible assets

The QFC Regulatory Authority's management determines the estimated useful lives of its intangible assets with finite life time for calculating amortisation. The estimate is determined after considering the expected usage of intangible asset or technological obsolescence. Management reviews the useful lives annually and future amortization charge would be adjusted where the management believes the useful lives differ from previous estimates.

Impairment of financial assets

An estimate of the collectible amount of financial assets is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and an allowance is applied according to the length of time past due, based on historical recovery rates.

At end of reporting period, financial assets were USD 249 thousand (2014: USD 155 thousand) with no allowance for impairment (2014: USD 83 thousand). Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the statement of comprehensive income.

Going concern

The QFC Regulatory Authority's management has made an assessment of the QFC Regulatory Authority's ability to continue as a going concern and is satisfied that the QFC Regulatory Authority has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the QFC Regulatory Authority's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on a going concern basis.

16. Comparative figures

Certain comparative figures have been reclassified to conform to the presentation in the current year's financial statements. Such reclassification did not have any impact on the previously reported comprehensive income or total equity.