



Qatar

FINANCIAL CENTRE
REGULATORY AUTHORITY

Qatar Financial Centre Regulatory Authority

Annual Report 2007



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Qatar
FINANCIAL CENTRE

Chairman's Statement



Phillip Thorpe, Chairman and CEO

“I am delighted to report that 2007 was another year of solid progress for the QFCRA and I believe that we have played a major role in laying the groundwork for the new regulatory environment in Qatar.”

The 2007 year marks the third year of QFCRA operation. The events of the year brought significant achievements for the Regulatory Authority and the identification of substantial new challenges which we will be pleased to meet and which we believe will serve the financial services sector, and Qatar, well in the future.

The year continued to provide ample evidence that the QFC concept and the availability of a high quality, well managed legal and regulatory environment have made Qatar an attractive place to do business. The economic story of Qatar is of course increasingly well known and provides the primary incentive for financial services firms to focus their attentions on Qatar and the Gulf. The establishment of the regulatory regime has ensured that firms interested in doing business in Qatar now have access to an environment that they can understand and in which they can have confidence. This has been reflected in a continuing flow of applicants to the QFCRA, and an increasing volume of business being undertaken by those firms already licensed and operating.

In addition to dealing with the interest of new applicants and the increasing operations of licensed firms in 2007, the Regulatory Authority also devoted substantial resource to the expansion of the QFC regulatory environment and to responding to industry requests for new rules to cover developing areas of business. This is a pattern that we expect to see continue as the financial services businesses in Qatar continue to grow.

The growth in financial services business was mirrored by the growth of the Regulatory Authority itself. Staff numbers continued to increase, with a focus on attracting skilled regulators from “high standard” jurisdictions. We have been fortunate to be able to build a very able team with a wide range of experience, who demonstrate great enthusiasm for the tasks we undertake. The 2007 year also allowed our staff to engage in a wide range of tasks; while the business of vetting applicants and authorising firms continued, the increasing number of operational firms meant that our supervisory staff were able to start putting into effect the processes to ensure ongoing oversight of regulated institutions. The continued inflow of applicant firms has also

meant we have had to expand our efforts at putting in place Memoranda of Understanding and similar working arrangements with a wide range of overseas jurisdictions. We see the establishing of good working relationships with our counterpart agencies as a key building block of the QFC regime and we have been very pleased with the responses and assistance we have received from other regulators in 2007. We should note that our staff responsible for enforcement actions remain a little under-employed in terms of investigations and prosecutions, but this did allow them to contribute significantly to other initiatives, including our efforts in respect of developing the QFC Anti-Money Laundering (AML) regime, and contributing to the wider AML efforts in the State. This lack of enforcement business is not an unexpected situation given the high QFC admissions standards and relatively early stage in the development of the businesses of many authorised firms.

As we are all well aware, elsewhere around the globe, regulators and central banks have had to face altogether more turbulent times. We have been fortunate to see some degree of insulation from the more dramatic events of 2007, but we cannot be complacent; a strong Qatar economy is of course a useful bulwark against the consequences of markets entering recessionary phases, but the financial markets are today too closely interlinked to allow us to assume we will be immune. We have been looking and will continue to look closely at the institutions in the QFC to guard against contagion from their overseas connections; our objective is to ensure that QFC institutions remain well placed to respond to the challenges that may lie ahead. We will also look at the lessons to be learned from the experiences of supervisors and regulators elsewhere, and we are of course ready to adapt our own regime in light of those experiences and to reflect any changes in global standards.

However, while these matters are important in themselves, probably the most significant development in 2007 from our perspective relates to the Government's declaration that it intends to establish a single financial services regulator for the State of Qatar. Most importantly the Government identified the requirement that this new

regulator should operate to the highest international standards and that it be built upon the accomplishments of the QFCRA.

We are pleased to acknowledge that this initiative is a strong endorsement of the work that the Regulatory Authority has been doing, and of course the initiative has our full support.

It is worth noting that such an initiative was perhaps predictable, given the overall atmosphere of change in Qatar, and the Government's clear intention that standards in the wider business environment must be raised to ensure Qatar's continued competitiveness and success. The Government has further recognised that a coherent response to Qatar's rapidly growing economy and demand for financial services is essential, and that in shaping any response it would be important to utilise to the maximum the skills and resources available amongst the various regulatory bodies in Qatar. Accordingly, this new initiative will draw together the resources currently in the QFCRA, the banking supervision division of the Qatar Central Bank, and the staff of the newly formed Qatar Financial Market Authority (QFMA) – the Authority responsible for oversight of the Doha Securities Market.

The expectation is that the new single regulator, which has a working title of the "Financial Regulatory Authority" (FRA), will follow the UK FSA model for integrated regulators. As with all such initiatives, a period of transition will be required to allow all domestic regulated institutions to attain the new high standards that will be the hallmark of the new regulator.

We are very excited to have been able to play a major role in the early discussions and development behind the FRA and the Board and staff of the QFCRA are looking forward to working with new colleagues from the Central Bank and QFMA to deliver to Qatar a first rate regulatory body. We recognise that the Government's initiative will also represent an important step forward for financial regulation in the region. It will place us in a very strong position to support the continued growth of the Qatar economy and to provide a strong, stable, high quality base for financial services in the Gulf and the wider MENA region.

Chairman's Statement

(continued)

While at the time of writing this report the full prescription for the FRA is still under consideration, we are already aware that the major building blocks that have underpinned the QFCRA will carry through to the FRA and its regulatory environment. This reflects the Government's commitment to the independence and authority for the new regulator, the importance of utilising international experience in the process of developing standards in Qatar, and of providing adequate, skilled resources to ensure the new regulator can achieve its objectives.

2008 will see the first concrete steps towards the creation of the FRA including the formation of a Board and Executive, and the passage of primary legislation to bring into existence the new regulator. We anticipate the transitional process for firms will extend through until 2009 or 2010, though we also expect physical evidence of the new regulator (the identification of a single "home" for the organisation and staff located together) can probably be expected to be seen in the course of that first year of operation.

While this move towards an integrated regulator will not be without its challenges, all those involved have readily identified the benefits that will flow from such an initiative. In today's financial markets all institutions need the framework of a credible regulatory environment operating

to the highest international benchmarks. In Qatar we are also fortunate that the burgeoning economy has produced strong domestic financial institutions, many of which have aspirations to develop their businesses across borders. Effective and credible regulation is an important passport for these businesses and the new regulator will be working with those institutions to ensure that they have the systems and controls and international credibility to support their expansion plans. Similarly, for institutions new to the region it is vitally important that they base themselves in a jurisdiction where their boards and executives, their shareholders, and their home state regulators, can all draw comfort from the standards of the markets in which they will be operating and be content with the rigour and effectiveness of the regulators overseeing those markets. It is clearly the Qatar Government's intention that those objectives will be achieved with the new regulatory body.

It is also apparent that the provision of a single regulator will have some profound and positive effects on Qatar's ability to develop other elements of its financial services infrastructure. The domestic stock market has been growing steadily and is poised to develop further as a venue for investment and growth. It is vitally important for that market that regulation matches those aspirations. The Government signalled its intentions in this regard with

"I welcome the Government's plans for a new regulatory regime in Qatar, recognising that it is in large measure, an endorsement of the concepts behind the creation of the QFCRA. As Qatar moves on to ever more exciting developments and successes, the work of the QFCRA and its staff will provide an excellent framework for the new regulator, and a strong foundation for the growth of the financial services community, and the State of Qatar."

new legislation and the development of the QFMA in 2007. The FRA will build on those foundations and allow market participants, listed companies and investors to grow their businesses in Qatar with confidence. In common with markets in the Gulf more generally, there is also ample room for growth in related market areas – debt and derivative markets are not widely in evidence in the region, or where they do exist, are heavily commodities focused. A broader range of market facilities is an essential prerequisite to the growth of the financial environment and the growth of the economy more generally. The development of an integrated regulator will greatly assist the Government's plans in this regard, as will the increased ability of the Central Bank to focus on monetary policy and financial stability.

It is also clear that in a region where wealth creation is strongly evident, and where demographic changes indicate a rapidly growing population and ever increasing middle class, that the rights and obligations of the consumer or investor need clearer understanding and protection. It can be expected that the FRA will have a substantial agenda of developing consumer oriented policies, in raising consumer awareness, and in improving investor protection. Better educated, better protected investors will only add to the strength of the markets and the appetite for financial services in the region.

As you may well surmise from the observations above, while 2007 has indeed been an important year, its greatest significance is in laying down the first marker on a new path of development.

Finally, it is important to record that the progress that has been made toward the creation of the FRA is in large measure attributable to the commitment and efforts of the Ministry of Finance, the Qatar Central Bank, and the Qatar Financial Markets Authority, as well as the Board, executive and staff of the Regulatory Authority. Each organisation and its staff have actively contributed to the FRA's conception and creation, and we look forward to working with these organisations in 2008 and beyond to realise the full potential that the FRA offers and to contributing to the growth and welfare of Qatar and the region.



Phillip Thorpe
Chairman and CEO

Authorisation and Regulatory Services

Responsibilities

Authorisation & Regulatory Services (Authorisation) division enjoyed a further year of solid achievement, playing a pivotal role within the QFCRA.

The Authorisation division has as its compelling purpose:

- **Contributing** to the work of the QFCRA and the QFCA in continually **developing** standards for the authorisation and licensing of entities;
- **Promoting** these standards with applicants and generally within the marketplace; and
- **Delivering** excellence in terms of the process for authorising firms in a smooth, efficient, expeditious and user-friendly manner.

As the first point of contact for firms seeking authorisation to carry out regulated activities in or from the QFC, Authorisation was at the front line of QFCRA activity. In addition, the division continues to administer the application process in respect of firms seeking a licence to carry on non regulated activities and to conduct approved auditor assessments on behalf of the QFCA.

As regards promotional work, the division further expanded its educational output. Its staff hosted numerous sessions with firms and consultants in an effort to provide detailed guidance on the necessary requirements for submitting sufficiently detailed and well structured applications.

In addition, staff from the division spoke at a variety of local, regional and international conferences and were responsible for drafting a bi-lingual (English & Arabic) Consumer Insurance Rights pamphlet.

The application procedure itself has been reviewed and enhancements have been made to streamline the process and improve its accessibility to potential applicants.

The basic criteria required when completing an application were also reviewed and communicated to prospective applicant firms. This has helped to ensure a greater understanding of the regulatory regime and its requirements by applicant firms.

Staff

In line with overall organisational expansion, the Authorisation division grew during 2007, from a staff of 11, to a complement of 16, including an additional Director.

Licences granted to date

A total of 30 applications were received by the division over the course of the year from institutions looking to establish operations in the QFC. By the end of 2007, a total of 68 licences had been issued, up from a 2006 total of 33 licences. Additionally, as at 31 December there were 12 applications in the process of being authorised, and a further 19 firms were preparing applications. (See Appendix 1)

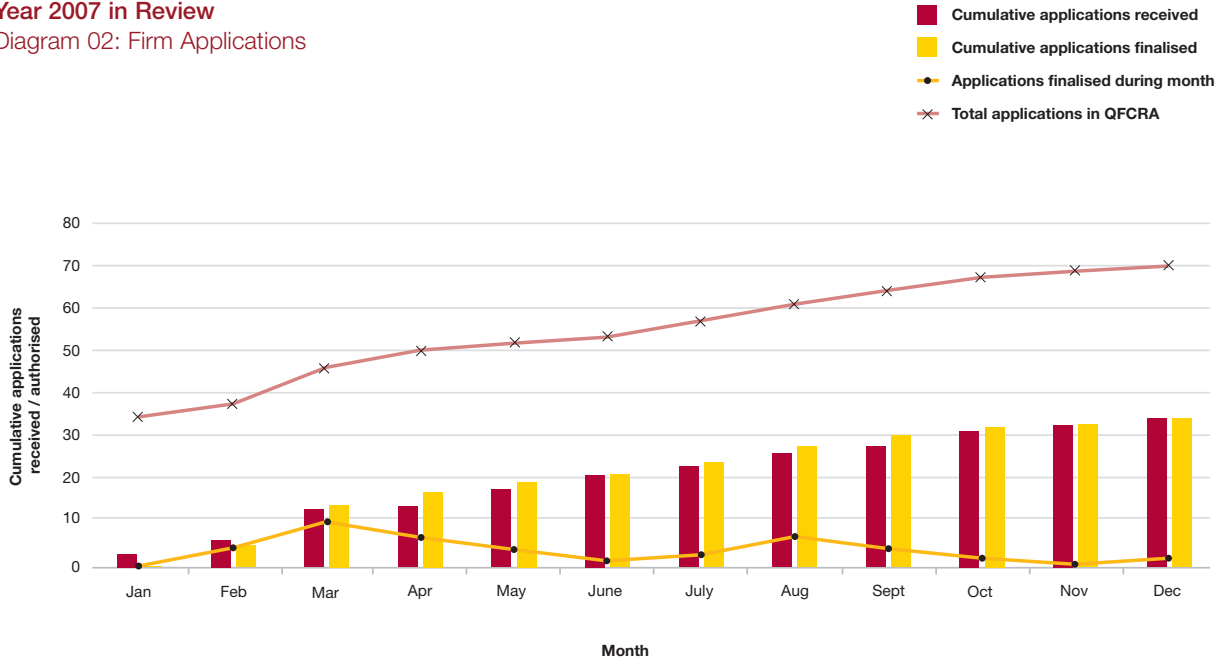
Approved Individuals

In 2007 the Authorisation division processed 283 applications (including withdrawals) for approved individuals. The total number of approved individuals registered increased to 306, representing an increase of 213 on 2006. (See Appendix 2)

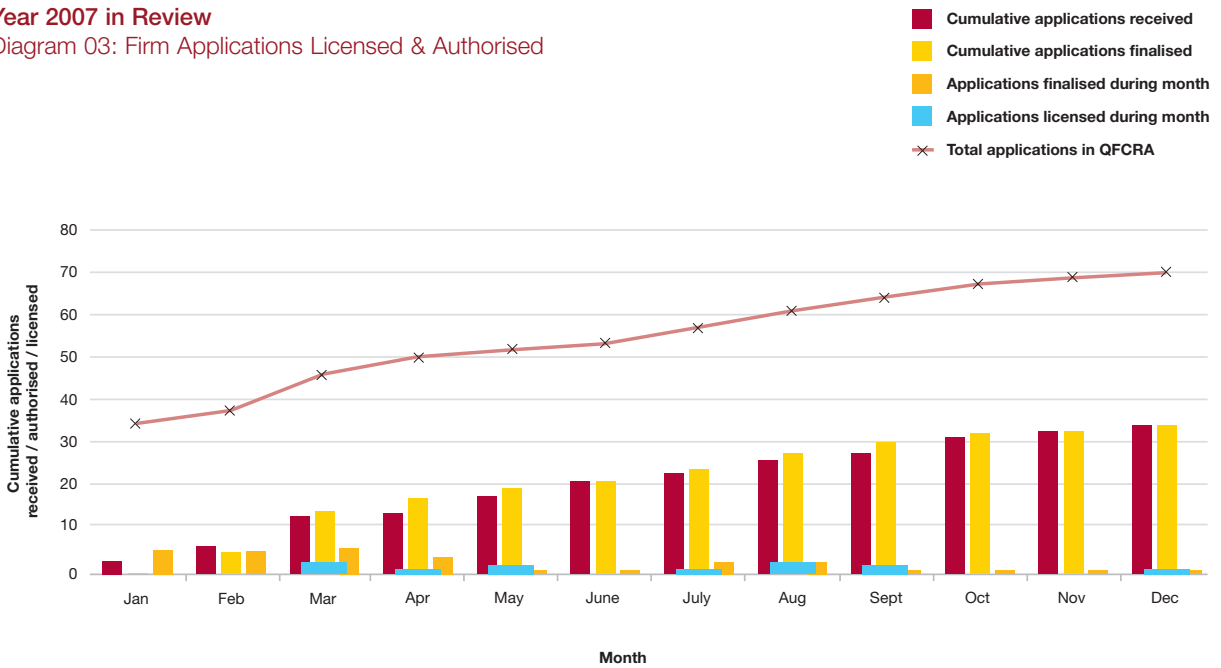
The Process of Licensing of Individuals

During the year the Authorisation division established the Regulatory Services Group, a dedicated unit designed to process the various regulatory forms and returns submitted by firms. This has resulted in the delivery of greater efficiencies and the improved turnaround time for the processing of applications.

Year 2007 in Review
Diagram 02: Firm Applications



Year 2007 in Review
Diagram 03: Firm Applications Licensed & Authorised

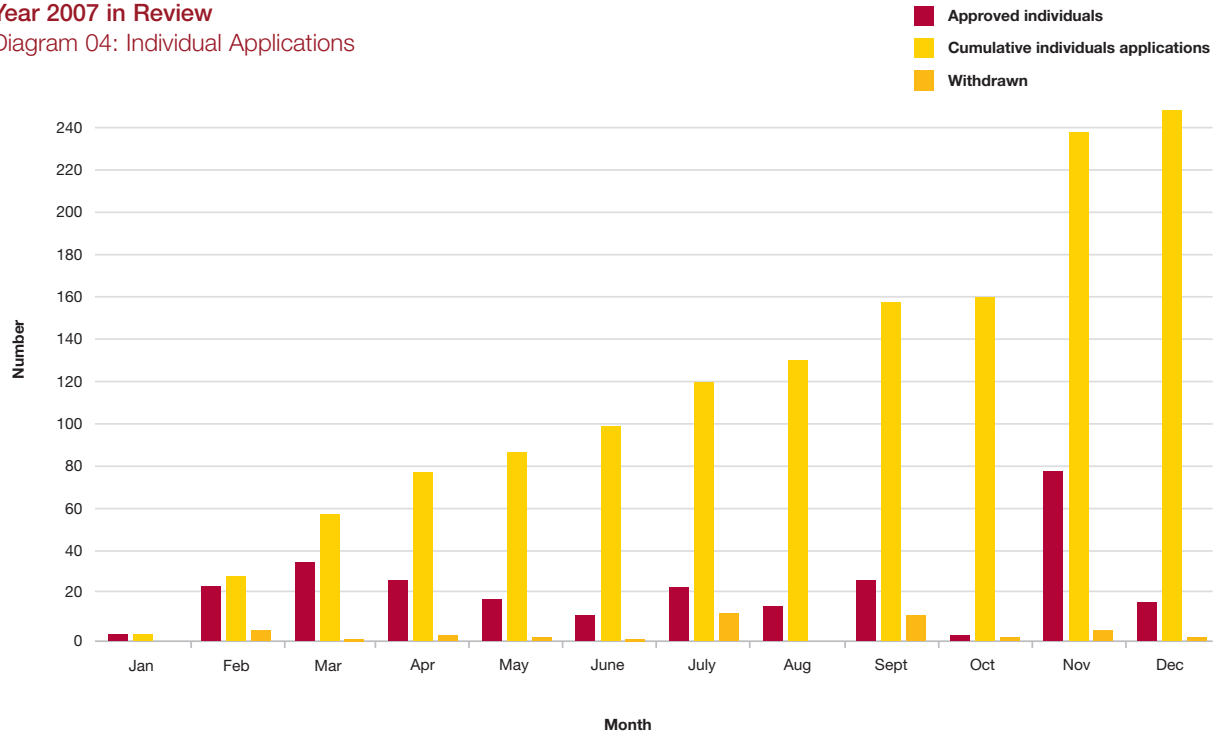


Authorisation and Regulatory Services

(continued)

Year 2007 in Review

Diagram 04: Individual Applications



“The Authorisation division continued its work on the frontline; seeking ways to streamline the application process, working to ensure the processes themselves are widely understood and, above all, safeguarding the overall quality of the QFCRA regulatory regime.”

Richard Collins, Managing Director, Authorisation & Regulatory Services

Legal and Regulatory Compliance

Responsibilities

The Legal & Regulatory Compliance (LRC) division of the QFCRA continued to perform its three core functions – enforcement, international relations and the provision of operational legal advice and assistance.

Enforcement

In 2007, LRC continued to further develop and implement the QFCRA enforcement processes, including the operation of the QFCRA Enforcement Committee in reviewing all enforcement matters and making recommendations to the Chief Executive Officer and Board. In addition, LRC conducted the QFCRA's first enforcement action – obtaining the immediate withdrawal of internet advertisements which falsely claimed that services provided by an individual were regulated by the QFCRA, and accepting an undertaking to avoid similar conduct in the future.

LRC also referred relevant matters to other international regulators.

International Relations

The international relations function of the division remained an important area of responsibility. To this end, LRC developed formal cooperative relationships with a variety of international regulators including:

- Bank Negara Malaysia;
- State of Delaware Department of Insurance;
- Office of the Comptroller of the Currency (USA);
- Financial Supervisory Commission of the Republic of Korea;
- China Banking Regulatory Commission;
- Isle of Man Financial Supervision Commission; and
- Isle of Man Insurance and Pension Authority.

We are also in the process of establishing cooperative relationships with a number of international, regional and State regulators into 2008.

As part of its international relations role, LRC also undertook reviews of the regulatory environment of foreign jurisdictions and visited a number of overseas regulators in an official capacity.

The division also coordinated the QFCRA's response to the Financial Action Task Force (FATF) Mutual Evaluation of Qatar's AML regulation.

LRC continue to develop the QFCRA's strong and productive relationship with the Qatar Financial Information Unit, collaborating with them on a variety of joint AML projects.

Operational Legal Advice and Assistance

The majority of LRC's support activity was in the provision of legal advice to other divisions of the QFCRA. This work encompassed providing advice on a variety of issues ranging from authorisation and supervisory matters, legislative interpretation, the effect of draft rules and the content of commercial agreements entered into by the QFCRA.

LRC also played an active role advising on the work concerning the creation of a single financial regulator in Qatar, with particular focus on reviewing AML regulation and draft legislation.

In 2007, LRC implemented an internal QFCRA Data Protection Policy and the Legal Advice Database knowledge management tool. LRC also hosted the second Financial Services Lawyers Forum, to discuss recent developments in the Qatari legal system and their impacts on financial services law.

Finally, LRC staff spoke at a number of regional and international legal and regulatory seminars.

“This was another very productive year for LRC, contributing to the continued success of the QFCRA and to the important and positive developments in Qatar's regulatory structure.”

Jamie Orchard, Managing Director, Legal & Regulatory Compliance

Supervision

Responsibilities

The Supervision division enjoyed a productive year in 2007.

With responsibility for supervising and regulating all authorised firms operating within the QFC. Supervision's primary objective is to ensure that QFC firms adhere to sound practices and comply with all relevant laws and regulations. These firms span different industry sectors including banking, asset management and insurance.

With a growing portfolio of organisations, both in size and complexity, Supervision continued to monitor and reinforce its risk-focused approach to ensure its alignment to the highest international standards of supervision.

The division applies standards which observe the core principles of effective supervision as outlined, for banks, by the Basel Committee, and for the insurance firms, by the International Association of Insurance Supervisors.

These internationally recognised principles were supplemented, as required, with other measures designed to address the specific risks and concerns relative to financial organisations operating in the region.

Risk Focus

Supervision's risk-focused process seeks to continually identify the significant risks to both the authorised institution and to the QFCRA.

In line with our approach, each firm is supervised under a customised supervisory plan and is subject, as appropriate, to periodic risk assessments, on-site visits, off-site reporting, and meetings with directors and senior management.

The information gathered through these processes forms the basis of our firm specific supervisory assessment.

The Year in Review

At year end 2007, there were 38 authorised firms under supervision, more than twice the number of the previous year.

In addition, in 2007 the division embarked on a programme of consultation with newly authorised firms designed to provide them with a clear understanding of their responsibilities concerning effective corporate governance and risk management.

A markets supervision team was also established which worked in harmony with the Financial Sector Development & Policy division (FSDP) to draft a regulatory framework for an exchange traded derivatives market.

Prevention of Financial Crime and Anti-Money Laundering Initiatives

In line with QFCRA AML objectives, Supervision undertook a number of initiatives in this area.

This work included the establishment of a dedicated financial crime and AML unit, the provision of internal training to supervisory staff and the active encouragement of the wider attainment of financial crime prevention qualifications across the various supervision departments.

The division also provided external training to relevant firms supplemented by the drafting and publication of educational practice notes on related key regulatory issues.

Supervision also conducted a series of on-site visits covering financial crime prevention and anti-money laundering.

Staff

As part of the commitment to maintaining a world-class supervisory environment, the Supervision division continued its efforts to recruit high calibre international staff.

The majority have been recruited from highly regarded international regulatory bodies from jurisdictions including the UK, Australia, Germany, Hong Kong, Singapore and the United States.

The Insurance supervisory team accommodates staff with expertise in areas covering insurance, reinsurance, life, intermediaries, captives and actuarial science.

Supervision represents the QFCRA on the Islamic Financial Services Board's working group on Corporate Governance in Takaful operations.

Expanding Global Relationships

In addition to establishing a gold standard supervisory environment, Supervision continues to build relationships with foreign central banks and financial supervisors. These formal ties are managed and maintained to facilitate a coordinated response in the event of international financial crises and to enable cooperation in the supervision of institutions with a substantial international presence.

Looking Ahead

Looking ahead to the new regulatory regime to which the QFCRA will contribute, the division will continue to refine the supervisory framework with the aim of keeping pace with the high standards of supervision developed at the QFCRA.

In this regard, in collaboration with our colleagues from the other Qatar financial sector regulators, work has commenced towards converging the various rulebooks into a unified set of standards to which all local financial firms will migrate over time.

Concurrently, the insurance supervisory team is readying itself for new and additional responsibility for the local insurance industry as part of the new regulator. Consideration is also being given to drafting a common set of rules which will, in due course, apply across Qatar's insurance industry. This will enhance the standards in the local market and provide protection to policyholders in Qatar. The insurance supervision team will provide guidance to the local insurance industry with a view to bringing the local insurance industry in line with the QFCRA's current prudential insurance requirements, which conform to the criteria prescribed by the International Association of Insurance Supervisors.

The division will be working with other relevant stakeholders in the State of Qatar to build a robust State-wide integrated financial crime prevention and anti-money laundering supervision framework, consistent with the highest international standards.

“We are committed to building and maintaining a world class supervisory framework, relevant to the region and the exciting and changing financial industry in Qatar.”

Mike Lesser, Managing Director, Supervision

Financial Sector Development and Policy

Responsibilities

The Financial Sector Development & Policy (FSDP) division continued to focus primarily on the development of the legislative and regulatory regime applicable to the QFC financial market and related policy programmes.

In the delivery of this objective, FSDP bears responsibility for assessing new opportunities, initiatives and risks, as well as market and regulatory developments relevant to the QFCRA. In addition to this, FSDP liaises with market participants and other bodies to build up an understanding of the impact of policies and to assess potential policy developments. Finally, FSDP is responsible for proposing new legislation and policy developments.

Key Activities

The division's key focus in 2007 was to continue developing the QFCRA's legal and regulatory regime, with major projects completed in respect of the regulation of collective investment funds and insurance activities, and extensive involvement in the development of the policy framework and legislation for the proposed new integrated regulatory regime.

Legislative development

Collective investment funds

A new regime governing the regulation of collective investment funds operating in or from the QFC was approved by the QFCRA Board and came into force on 15 July 2007.

The regime includes rules relating to:

- the types of funds which can be established or marketed;
- the regulation and authorisation of fund operators; and
- the administrator and the entity performing custodial and oversight functions.

Conduct of retail business with particular reference to retail insurance activities

A new regime governing the conduct of business of authorised firms undertaking retail business with reference to insurance activities, particularly in relation to retail customers, in or from the QFC was approved by the Board and came into force on 1 July 2007.

The regime includes rules relating to:

- financial promotions;
- disclosure requirements, which require firms to provide information on the firms themselves, the services they will provide and the products they offer;
- the provision of "cooling-off" periods;
- the processing of claims on insurance policies; and
- internal complaint handling procedures.

Exchanges and other market entities

FSDP also prepared a draft regulatory regime for exchanges, clearing systems and other market entities. This work will be incorporated into the work of the new single integrated regulator.

QFC Civil & Commercial Court and QFC Regulatory Tribunal

The division provided input into the relevant legislation for the QFC Civil and Commercial Court and QFC Regulatory Tribunal and related amendments to the QFC Law.

QFC Legislation Publication

Work progressed with the QFCA on publication of the QFC laws, regulations and rules in both electronic and hardcopy formats.

Policy Development

Single Integrated Regulatory Regime

FSDP was extensively involved in the project to establish the single integrated financial regulator, including the development of the proposed policy and legislative framework, addressing specific policy issues and options, and the preparation of the enabling primary legislation.

General

FSDP advised on a number of policy issues and provided input and advice on a variety of general financial sector issues.

The division also advised on various corporate governance issues for market participants.

Waivers and Modifications

In 2007 FSDP, acting as the secretariat for applications for waivers and modifications, dealt with 60 applications for waivers and modifications to rules.

Relationships with Other Entities

FSDP was involved in discussions with the OECD on capital market development in the MENA region and with the International Association of Insurance Supervisors concerning various policy proposals and initiatives.

The division was involved in liaison with the Qatar Central Bank, Ministry of Economy & Commerce and the Ministry of Finance of the State of Qatar, the Qatar Financial Markets Authority, and other domestic and international bodies on various matters.

Conferences

FSDP staff represented the QFCRA at various regional and international conferences in 2007.

“We are committed to the ongoing development of a regulatory and legislative environment that combines international best practice with an appreciation of the needs of Qatar and the challenges facing financial markets generally.”

Michael Webb, Managing Director,
Financial Sector Development & Policy

Operations

Premises

In 2007 Operations project managed the QFCRA's office move from the Ministry of Economy & Commerce building to the QFC Tower. Occupying three floors, the new state of the art premises enabled the organisation to grow considerably as well as providing staff and their guests with improved facilities.

Operations also continue to play an active role advising the discussions concerning the office location of the new single regulator and the operational requirements necessary.

Information Technology

In 2007, the IT department delivered the information technology component of the QFCRA office relocation.

In addition, IT designed and built a number of internal databases as well as delivering projects designed to improve overall organisational IT security.

Business Continuity Planning

It is recognised that an effective response and recovery plan during a crisis situation is essential to ensure continuity of operations. In July 2007, Operations continued its commitment to continuous improvement in health and safety by undertaking a comprehensive project to create and test business continuity plans for each division.

Additional steps to safeguard our staff were taken in the signing of an agreement with a global provider of rescue and recovery services. The agreement ensures that Regulatory Authority employees are protected anywhere in the world, and have access to world class medical and security advice.

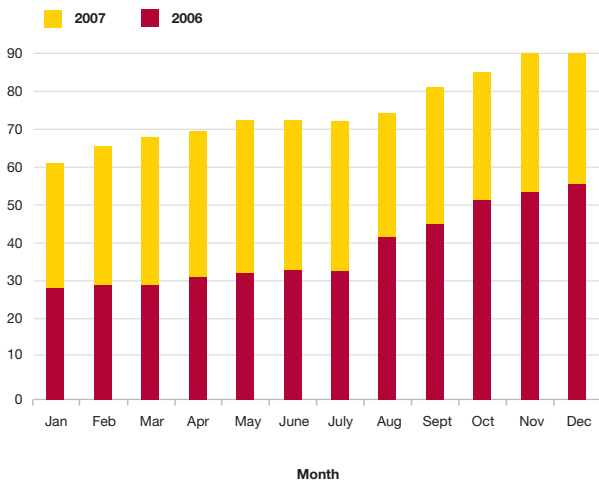
Human Resources

In support of the controlled growth of the QFCRA, in 2007 the global recruitment strategy resulted in the appointment of 32* additional employees, elevating the year-end headcount to 86. The chart below contrasts the monthly headcount between the 2006 and 2007 calendar years.

*Adjusted to include nominal turnover.

Year 2007 in Review

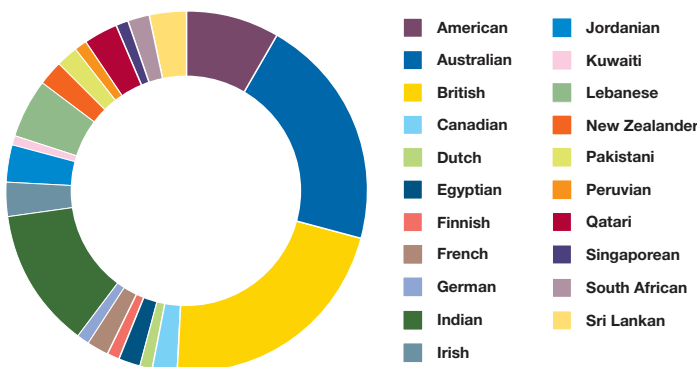
Diagram 05: Headcount Comparison 2006-2007



The QFCRA invests heavily in the value brought by its staff and the benefit of their diverse professional experience. As the chart below outlines, the QFCRA has sought a breadth and depth of quality in its approach to recruitment and now benefits from the broad regulatory experience of its professional staff composed of 21 nationalities.

Year 2007 in Review

Diagram 06: Distribution of Nationalities

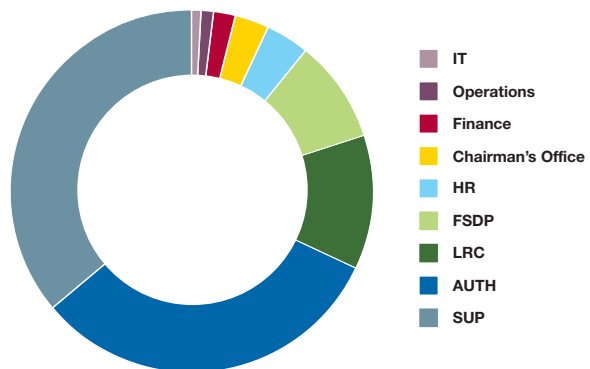


Employee Development

Reinforcing its commitment to employee development, the Regulatory Authority partnered with its employees on 144 separate professional development activities in 2007. In addition to these activities, eight longer-term, self directed certification and diploma courses (CPA, AML) were also successfully completed. Excluding the long-term certification and diploma courses, the Regulatory Authority achieved an average of 29 hours of training per employee. These development activities were dispersed across the organisation in broad proportion to the size of each division, as illustrated in the chart below. The chart also highlights that the majority of employee development time (89%) was focused on the four technical regulatory divisions (FSDP, LRC, AUTH, SUP), which are represented by the contiguous segments of the pie below.

Year 2007 in Review

Diagram 07: Distribution of Employee Development Hours



The Board

The Chairman and Chief Executive Officer, Phillip Thorpe, was appointed on 10 March 2005. The remaining Board members were appointed by the council of Ministers on 8 March 2006.

The Audit & Risk Committee comprises Mr Robert O'Sullivan (as Chairman) and Mr Brian Quinn. The Nominations & Remuneration Committee comprises Mr Jean-Francois Lepetit (as Chairman), Mr Andrew Sheng and Mr. Phillip Thorpe.

Board Member Biographies:

Phillip Thorpe (A)

**Mr Phillip Thorpe, Chairman & CEO,
QFC Regulatory Authority**

Phillip Thorpe has held the position of Chairman & CEO of the QFCRA since March 2005. Mr Thorpe began his career as a barrister and solicitor in New Zealand. In 1981 he moved to Hong Kong, and held various positions with the Hong Kong Securities Commission. In 1987 Mr Thorpe was appointed CEO of the Hong Kong Futures Exchange. Other positions Mr Thorpe has held include: CEO of the Association of Futures Brokers and Dealers, CEO of the London Commodity Exchange, Chief Executive of Investment Management Regulatory Organisation (IMRO), Managing Director of the UK's Financial Services Authority (FSA) and CEO of the Washington DC-based Institute of Financial Markets. In 2002 Mr Thorpe was appointed to oversee the construction of the legal framework and the regulatory processes that led to the establishment of the Dubai Financial Services Authority in 2004, before taking up his current post as QFCRA Chairman & CEO.

Mr Jean-Francois Lepetit (B)

As a banker, Jean-Francois Lepetit was Chief Executive Officer of Bank Indosuez and subsequently Chairman of BNP Group's Market Risk Committee. In a regulatory capacity, he has served as Chairman of the Conseil du Marché à Terme (CMT), Chairman of the Conseil des Marchés Financiers, President of the Commission des Opérations de Bourse (COB), a member of the Comité de la Réglementation Bancaire et Financière (CRBF) and a member of Comité des Établissements de Crédit et des Entreprises d'Investissement (CECEI). He is now Chairman of the French Conseil National de la Comptabilité and in this capacity he is also a member of the Collège d'Autorité des Marchés Financiers (AMF), Paris.

Mr Robert O'Sullivan (C)

Robert O'Sullivan was a senior vice president in the Bank Supervision Group of the Federal Reserve Bank of New York. He has 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.

Mr Brian Quinn (D)

Brian Quinn is a former Executive Director, Supervision & Surveillance, and Acting Deputy Governor of the Bank of England. As well as holding previous positions in the Bank of England and the IMF, he was member of the Basel Supervisors Committee and Chairman of the Supervisory Committee of EC Governors. He has acted as a consultant to the World Bank, IMF, BIS and a number of central banks and supervisory agencies.

Mr Andrew Sheng (E)

As a banker, Andrew Sheng has held senior positions with Bank Negara Malaysia, the World Bank and the Hong Kong Monetary Authority. He was Chairman of the Hong Kong Securities & Futures Commission for seven years. He has chaired the Technical Committee of IOSCO and has served on various committees including the Financial Stability Forum, and the Group of 22 Finance Ministers and Central Bank Governors. He is an adviser to the China Banking Regulatory Commission.

The Board



From left to right: Robert O'Sullivan (C), Jean-Francois Lepetit (B), Phillip Thorpe (A), Andrew Sheng (E) and Brian Quinn (D).

The Executive Team



From left to right: **Richard Collins** *Managing Director* Authorisation, **Michael Lesser** *Managing Director* Supervision, **Michael Webb** *Managing Director* Financial Sector Development and Policy, **Phillip Thorpe** Chairman and CEO, **Jamie Orchard** *Managing Director* Legal and Regulatory Compliance. **Jay Perumal** *Chief Financial Officer* (pictured on p32).

The QFC's Independent Judiciary

The appointment of the senior independent judiciary for the QFC was announced, by the Council of Ministers, in May 2006.

In February 2007, Lord Woolf was formally appointed as President of the QFC Civil and Commercial Court and William Blair QC was appointed as Chairman of the QFC Regulatory Tribunal.

The Council of Ministers also appointed six other senior international judges to the Court and two senior Members of the Regulatory Tribunal.

The Court and the Regulatory Tribunal have been structured to ensure the necessary world class legal framework to guarantee the highest standards of regulatory compliance and enforcement.

The Right Honourable Lord Woolf of Barnes, President of the new Court, is a judge of international standing having held the highest English judicial offices. In addition to sitting as a Lord of Appeal in Ordinary, he was also Master of the Rolls and Lord Chief Justice of England and Wales.

Sir William Blair, Chairman of the Regulatory Tribunal, has had an outstanding career at the Bar becoming a leading QC in the field of banking and finance. He is visiting Professor of Law at the London School of Economics, and has been a part-time Chairman of the UK's Financial Services and Markets Tribunal. In February 2008, he was appointed a High Court judge in England.

In addition, the Council of Ministers appointed six other international jurists to the Court and approved the appointment of two other distinguished lawyers to the Regulatory Tribunal.

The other judges appointed are:

Justice Aziz Ahmadi, who was the Chief Justice of India.

Lord Cullen of Whitekirk, who was Lord Justice General and Lord President of the Court of Session, the most senior judge, of Scotland.

Sir Peter Gibson and **Sir Philip Otton**, who were senior members of the Court of Appeal of England and Wales.

Barbara Dohmann QC, who is a distinguished member of the English Commercial Bar.

Justice Ronald Sackville, who is a judge of the Federal Court of Australia and was Chair of the Judicial Conference of Australia from 2004-2006.

The other members of the Regulatory Tribunal are:

Michael Thomas QC, who has been Attorney General of Hong Kong and has been at the London Commercial Bar for 40 years.

Professor Francois Gianviti, who was General Counsel and Director of the Legal Department of the IMF.

Plans have been developed to provide the Court and Regulatory Tribunal with a specially designed court building with state-of-the-art facilities. In the interim, the Court and the Tribunal are suitably accommodated within the new QFC Tower.

The Qatar Financial Centre Civil and Commercial Court

In the event of disputes as to matters of law, the Court will be the final arbiter. It will be modelled on the highly respected Commercial Court in London. It will possess a flexible procedure designed to resolve disputes within the QFC in an effective and timely manner.

It will operate in a manner sympathetic to the needs of a sophisticated financial centre and is designed to foster trust and confidence in the new legal system operating within the QFC.

The QFC Regulatory Tribunal

The Regulatory Tribunal is a wholly independent body, hearing and deciding appeals from decisions of the QFCRA and other QFC agencies.

In dispensing its duties, the Regulatory Tribunal will conduct itself in a manner which upholds the integrity of the QFC. Institutions electing to conduct business within the QFC will be assured that their rights and interests will be protected in accordance with the requirements of law.

Michael McKenzie CB, QC, who is the Registrar to both the QFC Civil and Commercial Court & the QFC Regulatory Tribunal. Michael was called to the Bar by the Middle Temple (London) in 1970 and, until his retirement in 2003, had spent over 40 years administering higher courts of justice in England, including The Central Criminal Court and, for 15 years prior to his retirement, the Court of Appeal Criminal Division, for England and Wales. In recognition of his contribution to the administration of justice in England and Wales, he was appointed Queen's Counsel in 1991 and in 1999, was made a Companion of the Order of the Bath.

Corporate Governance

General

The QFCRA is established by Law No.7 of 2005 of the State of Qatar (the QFC Law). The QFC Law and the QFC Financial Services Regulations (FSR) provide for the Board of the QFCRA, its constitution, membership, duties and powers.

On 5 September 2006 the Board of QFCRA adopted a Governance Resolution, which:

- sets out the policy of the Board on various governance matters, reflecting the Board's intention that the business of the QFCRA and the Board be conducted in accordance with the regulatory objectives, other applicable law, and principles of sound corporate governance;
- makes further provision for the regulatory and operational responsibilities of the QFCRA;
- sets out the respective roles of the Board and the Chairman and Chief Executive Officer ("CEO");
- establishes an Audit and Risk Committee and a Nominations and Remuneration Committee;
- provides for certain delegations and decision-making within the QFCRA; and
- contains various other matters of general application regarding the governance of the QFCRA.

The following is a summary of key provisions of the Governance Resolution.

Role of the Board

- The role of the Board, subject to the QFC Law and other applicable legislation, is to lead the QFCRA;
- Schedule 4 of the QFC Law outlines the powers and duties of the Board. These can be accessed at http://www.complinet.com/file_store/pdf/rulebooks/QFCRA_2.pdf.

In addition, the Board is to:

- exercise such functions of the QFCRA which under the QFC Law or other applicable QFC legislation only the Board can exercise;
- make strategic decisions affecting the future operation of the QFCRA;
- oversee the discharge by the executive management of the day-to-day business of the QFCRA;
- set appropriate policies to manage risks to the QFCRA's operations and the achievement of its regulatory objectives and seek regular assurance that the system of internal control is effective in managing risks in the manner it has approved;

- maintain a sound system of financial control;
- cause minutes to be made in books provided for the purpose of:
 - all appointments of officers;
 - the names of persons present at each meeting of the Board and of each committee of the Board; and
 - all resolutions and procedures at all meetings of the Board and of each committee of the Board.
- take specific decisions which the Board or executive management consider to be of such significance as to require to be taken by the Board;
- maintain high level relations with other appropriate organisations and authorities; and
- provide an accountability mechanism for decisions of committees of the Board and executive management, including through periodic reporting to the Board.

Board Members

Each Board Member is to:

- act in accordance with the QFC Law and other QFC legislation and to the extent not inconsistent with the QFC Law and other legislation, the terms of that Board Member's appointment by the Council of Ministers (CoM);
- in particular, act in accordance with, and further, the regulatory objectives set out in Article 12 of the FSR: <http://www.qfcra.com/whatdo/Objectives1.php>;
- act honestly, in good faith and in the best interests of the QFCRA;
- in relation to any particular matter, act in accordance with any applicable quasi-judicial or public or administrative law responsibilities applicable to that matter;
- comply with the QFC Law, regulations, rules and powers issued by themselves and with all resolutions from time to time made by the board including, without limitation, in relation to conflicts of Interest, confidentiality and ethics; and
- not bring the name or reputation of the QFC, the QFCRA, the QFC Authority or the Government of Qatar into disrepute by any act or omission of that Board Member, whether acting as a Board Member or in any other capacity, and irrespective of where the act or omission occurs.

Corporate Governance

(continued)

Each Board member is:

- entitled to be supplied with relevant information, subject to any conflict of interest; and
- have access to professional advice in particular instances.

The Chairman & Chief Executive Officer

- The QFC Law provides for the appointment of a Chairman and a CEO and further provides that the role of Chairman and CEO may be held by one individual for such period as the Council of Ministers may determine.
- The Council of Ministers has appointed one person to hold both the role of Chairman and CEO. The Resolution sets out which responsibilities relate to the role of the Chairman and which relate to the role of CEO.

Audit & Risk Committee (ARC)

- The QFC Law provides for the appointment of a Chairman and a CEO and further provides that the role of Chairman and CEO may be held by one individual for such period as the Council of Ministers may determine.
- The functions of the ARC are to assist the Board satisfying itself on specific matters including:
 - the quality of the financial management of the QFCRA and the adequacy of its system of internal controls;
 - the identification and management of the significant risks to the QFCRA's objectives and outcomes;
 - the internal and external audit function; and
 - the implication of any legal action being taken against the QFCRA, the adequacy of internal whistle-blowing arrangements, the operation of any code of conduct for Board Members or employees including in relation to dealings and conflicts of interest, and certain expense claims.

Nominations & Remuneration Committee (NRC)

- The resolution establishes a Board Nominations & Remunerations Committee (NRC) comprising at least two independent Non-Executive Board Members.
- The function of the NRC is to consider and make recommendations regarding:
 - prospective Board appointees and Board succession planning;
 - Board Members' remuneration and benefits and other terms of appointment, including those of the Chairman and CEO; and
 - broad policy on all aspects of executive remuneration.

Review of Performance and Governance Arrangements

The resolution provides for the Board to undertake annually a review of:

- its performance and that of its committees and individual members;
- the QFCRA's governance arrangements.

The resolution provides for each of the ARC and NRC to annually review its effectiveness.

Reporting to Council of Ministers

- The resolution provides for the Board to report annually to the Council of Ministers on the discharge by the Board of the QFCRA's functions, the extent to which, in its opinion, the QFCRA's objectives have been met; and other matters required by law.

Appendix 1

Details of Licences granted as at 31 December 2007

QFC No.	Firm Name	Legal Status	Date of Incorporation	Place of Incorporation	Permitted Activities
00001	Ansbacher & Co Limited	Branch	29/09/2005	UK	Regulated Activities and Professional Services
00002	BDO JawadHabib Consulting WLL	LLC	12/10/2005	Bahrain	Professional Services (Consulting)
00003	Arab Jordan Investment Bank (Qatar) LLC	LLC	05/12/2005	QFC	Regulated Activities
00004	Qatar Holding LLC*	LLC	04/04/2006	QFC	Professional Services (Holding)
00005	Credit Suisse Financial Services (Qatar) LLC	LLC	01/03/2006	QFC	Regulated Activities
00006	Arab Law Bureau LLP	LLP	20/03/2006	QFC	Professional Services (Legal)
00007	United Gulf Financial Services Company LLC	LLC	21/03/2006	QFC	Regulated Activities
00008	AXA Investment Managers LLC	LLC	23/04/2006	QFC	Regulated Activities
00009	Kuwait Financial Centre S.A.K.	Branch	01/05/2006	Kuwait	Regulated Activities
00010	Standard Chartered Bank	Branch	22/06/2006	UK	Regulated Activities
00011	Global Investment House (Qatar) LLC	LLC	28/06/2006	QFC	Regulated Activities
00012	QREIC Sukuk LLC	LLC	10/07/2006	QFC	Regulated Activities
00013	PricewaterhouseCoopers – Qatar LLC	LLC	21/08/2006	QFC	Professional Services (Assurance, Advisory, and Tax)
00014	Eversheds LLP	Branch	24/08/2006	UK	Professional Services (Legal)
00015	Eversheds Legal Services (Qatar) LLC	LLC	24/08/2006	QFC	Professional Services (Legal)
00016	Lalive in Qatar LLP	LLP	31/08/2006	QFC	Professional Services (Legal)
00017	Bell Pottinger Communications Limited	Branch	31/08/2006	UK	Professional Services (Public Relations)
00018	Barclays Bank PLC	Branch	10/09/2006	UK	Regulated Activities
00019	Morgan Stanley & Co International PLC **	Branch	12/09/2006	UK	Regulated Activities
00020	Intersearch in the Gulf Limited	Branch	30/10/2006	UEA	Professional Services (Executive Search)
00021	UBP (Qatar) LLC	LLC	31/10/2006	QFC	Regulated Activities
00022	Apis Consulting Group LLC	LLC	12/11/2006	QFC	Professional Services (Strategic Change and Project Management)

* Previous Name: Oryx Bank Holding Corporation LLC; Date of Name Change: 25/07/2007

** Previous Name: Morgan Stanley & Co International Limited; Date of Name Change: 13/04/2007

Appendix 1

Details of Licences granted as at 31 December 2007

(continued)

QFC No.	Firm Name	Legal Status	Date of Incorporation	Place of Incorporation	Permitted Activities
00023	International Legal Consultants LLC	LLC	13/11/2006	QFC	Professional Services (Legal, Companies, and Trust Administration)
00024	AXA Insurance (Gulf) BSC	Branch	19/11/2006	Bahrain	Regulated Activities
00025	MXV Capital LLC	LLC	11/12/2006	QFC	Professional Services (Strategic Consultancy and Administrative Consultancy)
00026	National Bank of Dubai PJSC	Branch	12/12/2006	UEA	Regulated Activities
00027	Bank Audi LLC	LLC	21/12/2006	QFC	Regulated Activities
00028	Alpen Investment Bank LLC	LLP	21/12/2006	QFC	Regulated Activities
00029	Clyde & Co LLP***	Branch	27/12/2006	UK	Professional Services (Legal)
00030	International Mercantile Exchange Holdings LLC	LLC	27/12/2006	QFC	Professional Services (Holding)
00031	Hugh Fraser International Legal Consultancy LLC	LLC	28/12/2006	QFC	Professional Services (Legal)
00032	Deutsche Bank AG Doha (QFC) Branch	Branch	28/12/2006	Germany	Regulated Activities
00033	Badri and Salim El Meouchi, LLP	LLP	28/12/2006	QFC	Professional Services (Legal)
00034	QIC International LLC	LLC	12/02/2007	QFC	Regulated Activities
00035	AIG MEMSA Insurance Company Limited	Branch	18/02/2007	Dubai International Financial Centre	Regulated Activities
00036	American Life Insurance Company ("ALICO")	Branch	26/02/2007	Qatar	Regulated Activities
00037	Qtel International Investments LLC	LLC	01/03/2007	QFC	Professional Services (Holding)
00038	Sayel M. Daher Law Offices LLC	LLC	11/03/2007	QFC	Professional Services (Legal)
00039	Morison Menon Chartered Accountants LLC	LLC	18/03/2007	QFC	Professional Services (Audit, Accounting, and Consulting)
00040	Lehman Brothers International (Europe)	Branch	18/03/2007	UK	Regulated Activities
00041	ICICI Bank Limited	Branch	21/03/2007	India	Regulated Activities
00042	Qatar Capital Partners LLC	LLC	29/03/2007	QFC	Regulated Activities
00043	Citibank, N.A.	Branch	31/03/2007	USA	Regulated Activities
00044	Crédit Agricole Suisse (Qatar) LLC	LLC	31/03/2007	QFC	Regulated Activities
00045	Al Rayan Investment LLC	LLC	03/04/2007	QFC	Regulated Activities

*** Previous Name: Clyde & Co; Date of Name Change: 02/09/2007

QFC No.	Firm Name	Legal Status	Date of Incorporation	Place of Incorporation	Permitted Activities
00046	The Royal Bank of Scotland plc	Branch	04/04/2007	UK	Regulated Activities
00047	WongPartnership	Branch	22/04/2007	Singapore	Professional Services (Legal)
00048	QINVEST LLC	LLC	30/04/2007	QFC	Regulated Activities
00049	TAIB Bank Qatar LLC	LLC	16/05/2007	QFC	Regulated Activities
00050	Accenture Middle East BV	Branch	20/05/2007	The Netherlands	Professional Services (Consulting and Business Process Outsourcing)
00051	KPMG LLC	LLC	24/05/2007	QFC	Professional Services (Audit, Tax, and Advisory)
00052	BankMuscat International B.S.C.	Branch	28/06/2007	Bahrain	Regulated Activities
00053	Goldman Sachs International	Branch	09/07/2007	UK	Regulated Activities
00054	Doha Bank Assurance Company LLC	LLC	16/07/2007	QFC	Regulated Activities
00055	Kestrel Aviation Management LLC	LLC	23/07/2007	QFC	Professional Services (Consulting)
00056	GlobeMed Qatar LLC	LLC	08/08/2007	QFC	Professional Services (Third Party (re) insurance Administration)
00057	Nasco Karaoglan Qatar LLC	LLC	08/08/2007	QFC	Regulated Activities
00058	Rödl Consulting Middle East LLC	LLC	09/08/2007	QFC	Professional Services (Consulting)
00059	CORECAP MERCHANT BANK LLC	LLC	28/08/2007	QFC	Regulated Activities
00060	Qtel Group Services LLC	LLC	28/08/2007	QFC	Company Headquarters, Management Offices and Treasury Operations
00061	Capstone Australasia LLC	LLC	16/09/2007	QFC	Professional Services (Consulting)
00062	Salans LLP	LLP	23/09/2007	QFC	Professional Services (Legal)
00063	Kaupthing Bank hf.	Branch	27/09/2007	Iceland	Regulated Activities
00064	Denton Wilde Sapte & Co	Branch	09/10/2007	UK	Professional Services (Legal)
00065	ABN AMRO Bank N.V.	Branch	11/10/2007	The Netherlands	Regulated Activities
00067	Zurich International Life Limited	Branch	08/11/2007	Isle of Man	Regulated Activities
00068	Haggie Hepburn Qatar LLC	LLC	05/12/2007	QFC	Professional Services (Public Relations)
00069	EFG-Hermes Qatar LLC	LLC	13/12/2007	QFC	Regulated Activities

NB: QFC Number 00066 was issued post 31 December 2007, for a total of 68 firms licensed/authorised in 2007.

Appendix 2

Details of Approved Individuals and Controlled Functions as at 31 December 2007

Approved Individuals	2005	2006	2007	As at 31 Dec 2007
Applications	16	86	251	353
Withdrawals (voluntary)	1	8	38	47
Withdrawals (mandatory)	0	0	0	0
Total number of Approved Individuals	15	78	213	306

Controlled Functions carried out by Approved Individuals	2005		2006		2007		As at 31 Dec 2007	
	A	W	A	W	A	W	A	W
Applications*								
Senior Executive Function	3	0	15	1	31	11	49	12
Executive Governance Function	3	0	24	1	18	6	45	7
Non-Executive Governance Function	1	0	6	1	36	2	43	3
Compliance Oversight Function	3	0	16	3	31	10	50	13
Risk Management Function	0	0	2	0	7	2	9	2
Finance Function	2	0	14	0	30	10	46	10
Money Laundering Reporting Function	3	1	18	3	35	10	56	14
Senior Management Function	1	0	5	0	18	5	24	5
Customer Facing Function	4	0	20	0	109	21	133	21
Actuarial Function	0	0	0	0	4	1	4	1
Total number of Approved/Withdrawn	20	1	120	9	320	78	459	88
Total number of Controlled Functions carried out by Approved Individuals	19		111		241		371	

*Applications: Approved (A) and Withdrawn (W)

Appendix 3

QFC Legislation

The following tables contain a list of the Regulations, Rules and Rulebooks that have been enacted within the QFC since its launch in 2005.

Regulations	Description
Financial Services Regulations	These regulations set out the regime for the regulation of financial services in the QFC by the Regulatory Authority.
Companies Regulations	These regulations provide for the establishment and operation of limited liability companies and non-QFC company branches.
Anti-Money Laundering Regulations	These regulations set out the requirements for Authorised firms and other entities operating in the QFC in respect of liability for, and procedures to prevent, money laundering.
Contract Regulations	These regulations set out a codified contract law and contain provisions dealing with the nature and formation of contracts, contractual validity, interpretation and content, agency, performance, non-performance, remedies, termination, transfer of rights and obligations and rights of third parties.
Insolvency Regulations	These regulations provide for the insolvency regime which is applicable to companies and limited liability partnerships operating in the QFC but not to individuals or partnerships.
Data Protection Regulations	These regulations set out the framework for the control and protection of personal data by persons operating in the QFC.
Limited Liability Partnership Regulations	These regulations provide for the legal framework for the incorporation of legal entities in the QFC as limited liability partnerships.
Arbitration Regulations	These regulations provide for a framework for the resolution of civil and commercial disputes by arbitration within the QFC and permit the enforcement of domestic and foreign arbitral awards.
Employment Regulations	These regulations set out the framework governing the relationship between employer and employees of the QFC and QFC entities.
Immigration Regulations	These regulations set out the framework for entry into, and sponsorship within the State of Qatar, of employees and the entities of the QFC and their family members.
QFC Trust Regulations	These regulations contain requirements applicable to the creation of QFC trusts.

Rules	Description
Companies Rules (COMP)	These rules provide further detail in respect of the operation of the Companies Regulations and should be read in conjunction with them.
Data Protection Rules (DATA)	These rules provide further detail in respect of the Data Protection Regulations and should be read in conjunction with them.
QFCA Rules	These rules codify the general requirements applicable to QFCA licensed firms.

Appendix 3

QFC Legislation

(continued)

Rulebooks	Description
General Rulebook (GENE)	This contains provisions of a general nature applying to all authorised firms.
Principles Rulebook (PRIN)	This is a general statement of the standards expected of firms authorised in the QFC in accordance with Part 5 of the FSR (authorised firms). They apply to the conduct of business, operations and financial standing of authorised firms.
Controls Rulebook (CTRL)	This contains provisions to ensure that all authorised firms have in place effective internal controls and appropriate arrangements for senior management.
Individuals Rulebook (INDI)	This contains provisions that further clarify the statements and requirements set out in the FSR relating to the performance of controlled functions (those critical roles identified in INDI) by individuals authorised to perform these roles under article 41 of the FSR
Anti-Money Laundering Rulebook (AMLR)	This contains provisions extending and clarifying the provisions in the Anti-Money Laundering Regulations.
Conduct of Business (COND)	This contains provisions relating to the conduct of business by authorised firms, including, but not limited to, financial communications, conflicts and material interests, client classification, advising and selling, and insurance and insurance mediation business.
Assets Rulebook (ASET)	This contains provisions relating to the proper safeguarding of money and other assets belonging to clients by authorised firms.
Islamic Finance Rulebook (ISFI)	This contains provisions relating to the proper regulation of Islamic Financial Business.
Interim Prudential – Investment, Insurance Mediation and Banking Business Rulebook (PIIB)	This contains provisions relating to the detailed financial resources and prudential standards that apply to authorised firms (other than insurers). This rulebook will be subject to review in light of ongoing international developments, including the Basel II accord.
Interpretation and Application Rulebook (INAP)	This contains provisions to assist in the interpretation and application of the rules comprised in other rulebooks (including a glossary of defined terms).
Prudential Insurance Rulebook	This rulebook sets out the QFCRA's prudential requirements for all insurers who conduct their business in the QFC.
Collective Investment Funds Rulebook (COLL)	This rulebook contains the rules for the regulation of collective investment funds operating in or from the Qatar Financial Centre.

Appendix 4

QFC Publications

Consultation papers

The QFCRA publishes any proposed legislation for public consultation. It also publishes consultation papers relating to making or implementing regulatory policy. Since 2005 the QFCRA published the following consultation papers, each of which can be obtained on the website at www.qfcra.com behind the “Publications” section under the heading “Consultation Papers”.

Consultation Paper No. 1 – 27 July 2005

QFCRA Rulebook on Islamic Finance

Consultation Paper No. 2 – 29 August 2005

QFCRA Principles Rulebook

Consultation Paper No. 3 – 29 August 2005

QFCRA Individuals Rulebook

Consultation Paper No. 4 – 29 August 2005

QFCRA Controls Rulebook

Consultation Paper No. 5 – 29 August 2005

QFCRA Anti-Money Laundering Rulebook

Consultation Paper No. 6 – 29 August 2005

QFCRA Interim Prudential – Investment, Insurance Mediation and Banking Business Rulebook

Consultation Paper No. 7 – 26 September 2005

QFCRA General Rulebook

Consultation Paper No. 8 – 26 September 2005

QFCRA Assets Rulebook

Consultation Paper No. 9 – 26 September 2005

QFCRA Conduct of Business Rulebook

Consultation Paper No. 10 – 24 May 2006

QFCRA Prudential Regulation of Insurers Conducting Insurance Business in or from the Qatar Financial Centre.

Consultation Paper No. 11 – 18 December 2006

QFCRA Regulation of Collective Investment Funds Operating in or from the Qatar Financial Centre.

QFCRA CP No. 2007/01 – The Regulation of Retail Activities and Retail Insurance Business Permitted to be Conducted in or from the Qatar Financial Centre. This consultation paper published the proposed rules relating to the conduct of retail insurance activities in or from the Qatar Financial Centre and the protection of retail customers.

QFCRA CP No. 2007/2 – The Regulation of Collective Investment Funds operating in or from the Qatar Financial Centre. This consultation paper published the proposed rules for the regulation of collective investment funds operating in or from the Qatar Financial Centre, incorporating amendments made following an earlier round of public consultation, in addition to other changes of a technical or operational nature.

QFCRA CP No. 2007/03 – The Regulation of Retail Activities and Retail Insurance Business permitted to be conducted in or from the Qatar Financial Centre. This consultation paper published the proposed rules relating to the conduct of retail insurance activities in or from the Qatar Financial Centre and the protection of retail customers, incorporating amendments made following an earlier round of public consultation, in addition to other changes of a technical or operational nature.

Guides

Since 2005, the following Guides were published, each of which can be found on the website at www.qfcra.com under “Publications” and “Guides”:

Introducing the QFCRA

The Guide sets out the objectives, functions and powers of the QFCRA to give potential applicant firms a clear picture of the regulatory environment in which they will operate as authorised firms.

Guide to the application process

This is a Guide to application forms for licenses and Authorisation. It covers the process of application in respect of both regulated and non-regulated activities, and deals with incorporating a business within the QFC.

Guide to the Financial Services Regulations

The QFC Law provides a framework for regulating, authorising and supervising banking, financial and insurance-related businesses carried on in or from the QFC by the QFCRA. The FSR are the primary regulations, which define the management, objectives, duties, functions, powers and constitution of the QFCRA. The FSR are issued with the consent of the Council of Ministers and may only be varied or revoked with the consent of the Council of Ministers. The Guide to the Financial Services Regulations is an outline of the content of the FSR.

Guide to our approach to Regulation

This Guide provides information about two important regulatory processes adopted by us – the risk-based approach to the supervision of authorised firms and the enforcement process for the investigation of contraventions of QFC Law, regulations and rules, and the disciplining of those responsible.

Appendix 4

QFC Publications

(continued)

Guide for Insurance Intermediaries

This document guides insurance brokers/intermediaries through the various rulebooks issued by the QFCRA that have particular impact on insurance intermediaries.

AML Practice Note 2007– 1: Annual MLRO Report

This practice note provides general direction for the money laundering reporting officer in making the annual MLRO Report to senior management with respect to the operation and effectiveness of the firm's anti money laundering/combating the financing of terrorism systems and controls.

AML Practice Note 2007– 2: Correspondent Banking

This practice provides information and assistance regarding the correspondent banking provisions of the QFC AML Regulations and the AML Rulebook and assists firms to develop comprehensive due diligence programs to enhance controls in relation to correspondent banking.

Legislation

During 2007, the following legislation was published and can be obtained on the website at www.qfcra.com behind the "Legislation" section.

Collective Investment Funds Rulebook

This rulebook contains the rules for the regulation of collective investment funds operating in or from the Qatar Financial Centre.

Conduct of Business Rulebook

This rulebook contains the rules governing the conduct of business for all authorised firms conducting regulated activities in or from the Qatar Financial Centre.

General (Fees) Amendment Rules 2007

This amended the fees in the General Rulebook applying to authorised firms conducting insurance business in or from the Qatar Financial Centre as a captive.

Qatar Financial Centre Legislation loose-leaf service

This service provides subscribers with a bound, updated hardcopy of all Qatar Financial Centre legislation.

Policy Statements

In 2005, we published the following Policy Statement, full details of which can be found on the website at www.qfcra.com under "Publications" and "Policy Statements":

Policy Statement No. 1 QFC Firms doing business in the State

Pursuant to the authority in Schedule 1, Paragraph 17.2 of the QFC Law, we issued Policy Statement No. 1 on the meaning and effect of Article 18(3) of that Law. Policy Statement No. 1 clarifies the business that firms licensed by the QFC Authority or authorised by the QFCRA can conduct in the State of Qatar but outside the QFC, and the manner in which such business must be conducted in order to ensure that any State laws, rules or regulations that could otherwise apply to them do not.

Quarterly Activity summaries

Pursuant to Article 18(2) of the FSR, we publish a quarterly summary of QFC activities, which includes regulations issued under the QFC Law and rules issued both in draft form and final form during the preceding quarter. Full details of the Quarterly Activity Summaries can be found on our website at www.qfcra.com under "Publications" and "Quarterly Activity Summaries".

Independent Auditors' Report to the Board of Directors of Qatar Financial Centre Regulatory Authority

We have audited the accompanying financial statements of Qatar Financial Centre Regulatory Authority (the "QFCRA") which comprise the balance sheet as at 31 December 2007 and the statement of activities and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's 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 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' judgement, 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 auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate for 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 Qatar Financial Centre Regulatory Authority as of 31 December 2007 and the results of its activities and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the Articles 14 and 15 of Qatar Financial Centre Law No. 7 of 2005.

Report on legal and other requirements

Furthermore, in our opinion proper books of account have been kept by Qatar Financial Centre Regulatory Authority and the financial statements comply with the Articles 14 and 15 of Qatar Financial Centre Law No. 7 of 2005. We have obtained all the information and explanations we required for the purpose of our audit, and we are not aware of any violations of the above mentioned law having occurred during the year which might have had a material effect on the business of Qatar Financial Centre Regulatory Authority.

Ernst & Young

Date: 30 March 2008
Doha



A Member of Ernst & Young Global

Financial Statements



Jay Perumal, Chief Financial Officer

Statement of Activities

Year ended 31 December 2007

	Notes	31 December 2007 US\$'000	1 May 2005 to 31 December 2006 US\$'000
INCOME			
Fee income		1,355	1,083
Interest income		660	326
TOTAL INCOME		2,015	1,409
EXPENSES			
Salaries and other related costs		(15,601)	(11,563)
General and administration expenses	4	(2,946)	(1,917)
Board expenses		(714)	(687)
Loss on sale of furniture and equipment		(15)	-
TOTAL EXPENSES		(19,276)	(14,167)
EXCESS OF EXPENSES OVER INCOME FOR THE YEAR/PERIOD BEFORE APPROPRIATIONS			
		(17,261)	(12,758)
Appropriations from the Government	2	21,749	23,052
RETAINED SURPLUS FOR THE YEAR/PERIOD	7	4,488	10,294

The attached notes 1 to 14 form part of these financial statements.

Balance Sheet

At 31 December 2007

	Notes	2007 US\$'000	2006 US\$'000
ASSETS			
Non-current assets			
Furniture and equipment	5	1,597	552
Current assets			
Accounts receivable and prepayments	6	7,338	1,530
Cash and bank balances		8,380	10,709
		15,718	12,239
TOTAL ASSETS		17,315	12,791
EQUITY AND LIABILITIES			
Equity			
Retained surplus	2 & 7	14,782	10,294
Total equity		14,782	10,294
Current liabilities			
Accounts payable and accruals	8	2,533	2,497
TOTAL EQUITY AND LIABILITIES		17,315	12,791

The attached notes 1 to 14 form part of these financial statements.



Phillip Thorpe

Chairman & Chief Executive Officer



Jay Perumal

Chief Financial Officer

Cash Flow Statement

Year ended 31 December 2007

	Notes	31 December 2007 US\$'000	1 May 2005 to 31 December 2006 US\$'000
OPERATING ACTIVITIES			
Excess of expenses over income for the year/period		(17,261)	(12,758)
Appropriations from the Government	2	21,749	23,052
Adjustments for:			
Depreciation	5	531	262
Loss on sale of furniture and equipment		15	–
Operating profit before working capital changes:		5,034	10,556
Receivables		(5,808)	(1,530)
Payables		36	2,497
Net cash (used in) from operating activities		(738)	11,523
INVESTING ACTIVITIES			
Purchase of furniture and equipment		(1,645)	(814)
Proceeds from disposal of furniture and equipment		54	–
Net cash used in investing activities		(1,591)	(814)
(DECREASE) INCREASE IN CASH AND BANK BALANCES		(2,329)	10,709
Cash and bank balances at the beginning of the year/period		10,709	–
CASH AND BANK BALANCES AT END OF THE YEAR/PERIOD		8,380	10,709

The attached notes 1 to 14 form part of these financial statements.

Notes to the Financial Statements

At 31 December 2007

1. Corporate Information and principal activities

The Qatar Financial Centre (QFC) was established by the State of Qatar pursuant to the 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 (QFCA), the QFC Regulatory Authority (QFCRA), QFC Civil and Commercial Court (Court) and QFC Regulatory Tribunal (Tribunal). The QFCA, QFCRA, the Court and Tribunal are independent of each other and from the Government of Qatar.

Qatar Financial Centre Regulatory Authority (the "QFCRA") regulates licenses and supervises financial services and other firms that conduct activities in, or from, the Qatar Financial Centre. The registered office of QFCRA is located at Doha, State of Qatar.

These financial statements only relate to the activities, assets and liabilities of the QFCRA and do not extend to include any other bodies of QFC.

The financial statements of Qatar Financial Centre Regulatory Authority for the period ended 31 December 2007 were authorised for issue by the Board of Directors on 30 March 2008.

2. Economic Dependency

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

During the period, the Government provided the QFCRA with appropriations amounting to US\$ 21,749 thousand (2006: US\$ 23,052 thousand). As the QFCRA has the right to retain any excess appropriations provided by the Government, these appropriations have been treated as part of retained surplus.

3. Basis of preparation and summary of significant accounting policies

3.1 Basis of preparation

The financial statements are prepared under the historical cost convention. The financial statements are presented in US Dollars and all values are rounded to the nearest thousand (US\$'000) except where otherwise indicated.

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and applicable requirements of Qatar Financial Centre Law No. 7 of 2005.

3.2 Changes in accounting policies and disclosures

The accounting policies adopted are consistent with those of the previous financial period except as follows:

The QFCRA has adopted the following new and amended IFRS's during the year. Adoption of these revised and new standards did not have any effect on the financial performance or position of the QFCRA. They did however give rise to additional disclosures.

IFRS 7 Financial Instruments: Disclosures

This standard requires disclosures that enable users of the financial statements to evaluate the significance of the QFCRA's financial instruments and the nature and extent of risks arising from those financial instruments. The new disclosures are included throughout the financial statements. While there has been no effect on the financial position or results, comparative information has been revised where needed.

3. Basis of preparation and summary of significant accounting policies

(continued)

3.3 IASB standards and interpretations issued but not adopted

The following IASB Standards have been revised and issued but are not yet mandatory, and have not yet been adopted by the QFCRA:

IAS 1 Presentation of Financial Statements (Revised)

The application of revised IAS 1, which will be effective for the year ending 31 December 2009, will result in amendments to the presentation of financial statements.

3.4 Summary of significant accounting policies

Revenue recognition

Fee income

Fee income arising on application processing is non-refundable and accordingly is recognised as income when received.

Annual licence fees are recognised as income on a straight line basis over the period to which they relate.

Interest income

Interest income is recognised as the interest accrues, using the effective interest rate method.

Furniture and equipment

Furniture and equipment is stated at cost less accumulated depreciation and any impairment in value. Capital expenditure of less than QR 1,000 (US\$ 275) in value is expensed as incurred.

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

Furniture and fixtures	3 years
Office equipment	3 years
Leasehold improvements	Lesser of 3 years or lease period
Motor vehicles	3 years

The carrying amounts of furniture and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

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 activities 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 is included in the statement of activities in the year the asset is derecognised.

The assets' residual values, useful lives and method of depreciation are reviewed, and adjusted if appropriate, at each financial year end.

Notes to the Financial Statements

At 31 December 2007

3. Basis of preparation and summary of significant accounting policies

(continued)

Impairment and uncollectibility of financial assets

An assessment is made at each balance sheet date to determine whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, any impairment loss is recognised in the statement of activities. Impairment is determined as follows:

- (a) For assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognised in the statement of activities;
- (b) For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset;
- (c) For assets carried at amortised cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective interest rate.

Fees receivable

Fees receivable are stated at original invoice amount net of provisions for amounts estimated to be non-collectable. An estimate for doubtful accounts is made when collection of the full amount is no longer probable. Bad debts are written off when there is no possibility of recovery.

Accounts payable and accruals

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Provisions

Provisions are recognised when the QFCRA has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and able to be reliably measured.

Foreign currencies

The functional currency of the QFCRA is Qatari Riyals. However, these financial statements have been presented in United States Dollars which is the QFCRA's presentation currency in accordance with industry practice. The balances in Qatari Riyals have been translated into US Dollars at the exchange rate of 3.645.

Transactions in foreign currencies are initially recorded in the functional currency rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to the statement of activities and expenditure.

Non-monetary items measured in terms of historical costs in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

Transactions in foreign currencies are translated into Qatari Riyals at the exchange rates prevailing at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated into Qatari Riyals at the rates ruling at the balance sheet date.

4. General and administration expenses

	31 December 2007 US\$'000	1 May 2005 to 31 December 2006 US\$'000
Rent	872	–
Corporate communication expenses	494	583
Depreciation	531	262
Consultancy and professional fees	152	470
Other expenses	897	602
TOTAL EXPENSES	2,946	1,917

5. Furniture and equipment

	Furniture and fixtures US\$'000	Office equipment US\$'000	Leasehold improvements US\$'000	Motor vehicles US\$'000	Capital work in progress US\$'000	Total US\$'000
COST						
At 1 January 2007	131	494	72	27	90	814
Additions	578	264	803	–	–	1,645
Disposals	(87)	(34)	(72)	–	–	(193)
Transfer of capital work in progress	43	–	47	–	(90)	–
At 31 December 2007	665	724	850	27	–	2,266
DEPRECIATION						
At 1 January 2007	55	120	72	15	–	262
Charge for the year	153	204	165	9	–	531
Relating to disposals	(42)	(10)	(72)	–	–	(124)
At 31 December 2007	166	314	165	24	–	669
NET CARRYING AMOUNT						
At 31 December 2007	499	410	685	3	–	1,597

Notes to the Financial Statements

At 31 December 2007

5. Furniture and equipment (continued)

	Furniture and fixtures US\$'000	Office equipment US\$'000	Leasehold improvements US\$'000	Motor vehicles US\$'000	Capital work in progress US\$'000	Total US\$'000
COST						
At 1 May 2005	-	-	-	-	-	-
Additions	131	494	72	27	90	814
At 31 December 2006	131	494	72	27	90	814
DEPRECIATION						
At 1 May 2005	-	-	-	-	-	-
Depreciation charge for the period	55	120	72	15	-	262
At 31 December 2006	55	120	72	15	-	262
NET CARRYING AMOUNT						
At 31 December 2006	76	374	-	12	90	552

6. Accounts receivable and prepayments

	2007 US\$'000	2006 US\$'000
Government appropriations receivable	5,849	-
Prepaid expenses	1,176	864
Fees receivables	92	11
Other receivables	221	655
	7,338	1,530

As at 31 December, the ageing of unimpaired financial assets is as follows:

	Total US\$'000	Neither past due nor impaired US\$'000	Past due but not impaired				
			31 – 60 days US\$'000	61 – 90 days US\$'000	91 – 120 days US\$'000	121 – 180 days US\$'000	>180 days US\$'000
2007	6,162	6,116	6	4	35	1	-
2006	666	666	-	-	-	-	-

Unimpaired financial assets are expected, on the basis of past experience, to be fully recoverable. It is not the practice of the QFCRA to obtain collateral over receivables and the vast majority are, therefore, unsecured.

7. Retained surplus

In accordance with Article 14 of the Qatar Financial Centre Law No. 7 of 2005, the Board of Directors has resolved to retain the excess of appropriations from the Government over the excess of expenditure over income for the period. This surplus can be used for any activities of the QFCRA.

The movements in the retained surplus are as follows:

	2007 US\$'000	2006 US\$'000
Balance at 1 January / 1 May 2005	10,294	–
Surplus for the year/period	4,488	10,294
Balance at 31 December 2007	14,782	10,294

8. Accounts payable and accruals

	2007 US\$'000	2006 US\$'000
Accrued expenses	827	496
Trade payables	690	828
Employees' annual gratuity	340	214
Due to related parties (Note 11)	440	882
Advances from customers	204	61
Other payables	32	16
	2,533	2,497

9. Capital commitments

	2007 US\$'000	2006 US\$'000
Estimated capital expenditure contracted for at the balance sheet date but not provided for:		
Office equipment	–	525

Notes to the Financial Statements

At 31 December 2007

10. Lease commitments

	2007 US\$'000	2006 US\$'000
The future minimum lease rental payables under non-cancellable operating lease:		
Within one year	1,196	975
After one year but not more than five years	1,402	2,341
	2,598	3,316

11. Related party disclosures

Related parties represent QFC bodies, associated government department and ministries, directors and key management personnel of QFCRA, and bodies of which they are principal owners. Pricing policies and terms of these transactions are approved by the QFCRA's management.

Related party transactions

Transactions with related parties included in the statement of activities are as follows:

	31 December 2007 US\$'000	1 May 2005 to 31 December 2006 US\$'000
Appropriation from the Government (Note 2)	21,749	23,052
Services from QFCA	1,163	109
Services and expenses paid on behalf of related parties	1,327	362
Appropriation from Government received on behalf of related parties	959	1,135

Assistance from Ministry of Economy and Commerce

During the period, 1 May 2005 to 7 June 2007, the Ministry of Economy and Commerce provided office premises to the QFCRA at free of cost. These office premises are used for the QFCRA's own activities.

Compensation of key management personnel

The remuneration of key management personnel during the period were as follows:

	2007 US\$'000	2006 US\$'000
Short-term benefits and employees' end of service benefits	5,094	2,544

11. Related party disclosures

(continued)

Amounts due to related party balances

Balances with related parties included in the balance sheet are as follows:

	2007 US\$'000	2006 US\$'000
Qatar Financial Centre Authority	35	110
Qatar Financial Centre Civil and Commercial Court	56	415
Qatar Financial Centre Regulatory Tribunal	349	357
	440	882

12. Financial risk management

Interest rate risk

The QFCRA is exposed to interest rate risk on its interest bearing assets (bank deposits).

The statement of activities and equity is not sensitive to the effect of reasonable possible changes in interest rates, with all other variables held constant, as the QFCRA does not hold any floating rate financial assets and financial liabilities at the balance sheet date.

Credit risk

The QFCRA limits its credit risk by monitoring and collecting its fees in advance of providing services.

The QFCRA provides its services to banks and other institutions in the Qatar Financial Centre.

With respect to credit risk arising from the other financial assets of the Authority, including cash and cash equivalents, the Authority's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

Liquidity risk

The QFCRA limits its liquidity risk by securing appropriations from the Government to finance its operating and capital expenditure. The QFCRA's terms of services require amounts to be paid within 30 days of the date of service.

The table below summarises the maturities of the QFCRA's undiscounted financial liabilities at the balance sheet date, based on contractual payment dates and current market interest rates.

Notes to the Financial Statements

At 31 December 2007

12. Financial risk management

(continued)

Year ended 31 December 2007

	Less than 3 months US\$'000	3 to 6 months US\$'000	6 to 12 months US\$'000	More than 1 year US\$'000	Total US\$'000
Accounts payables and other credit balances	1,801	265	230	33	2,329

Year ended 31 December 2006

	Less than 3 months US\$'000	3 to 6 months US\$'000	6 to 12 months US\$'000	More than 1 year US\$'000	Total US\$'000
Accounts payables and other credit balances	2,111	184	141	–	2,436

Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Authority's foreign currency creditors are payable mainly in US Dollars.

Accounts payables and accruals includes an amount of US\$ 388 thousand (2006: US\$ 649) payable in foreign currencies mainly in US Dollars. As the Qatari Riyal is pegged to the US Dollar, balances in US Dollars are not considered to represent significant currency risk.

13. Fair values of financial instruments

Financial instruments comprise of financial assets and financial liabilities.

Financial assets consist of cash and bank balances and receivables. Financial liabilities consist of payables, and accrued expenses.

The fair values of financial instruments are not materially different from their carrying values.

14. Key sources of estimation uncertainty

Impairment of accounts receivable

An estimate of the collectible amount of trade accounts receivable 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 a provision applied according to the length of time past due, based on historical recovery rates.

At the balance sheet date, gross fees receivable were US\$ 92 thousand (2006: US\$ 11 thousand). Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the statement of activities.