



**Qatar Financial Centre
Regulatory Authority**

Annual Report and Accounts 2008

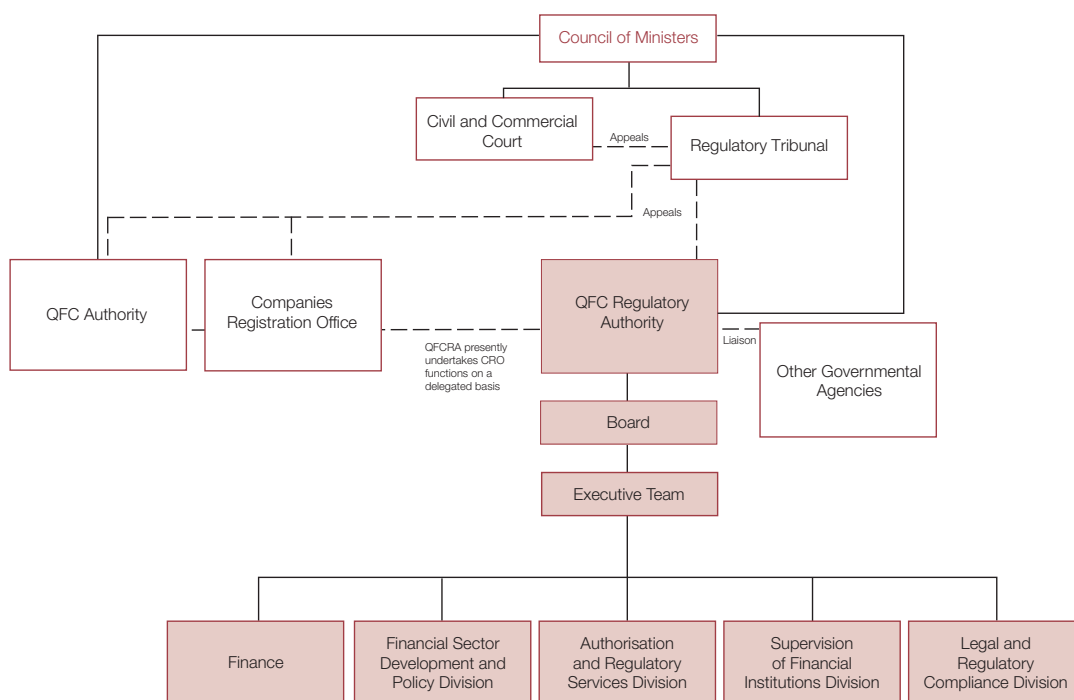


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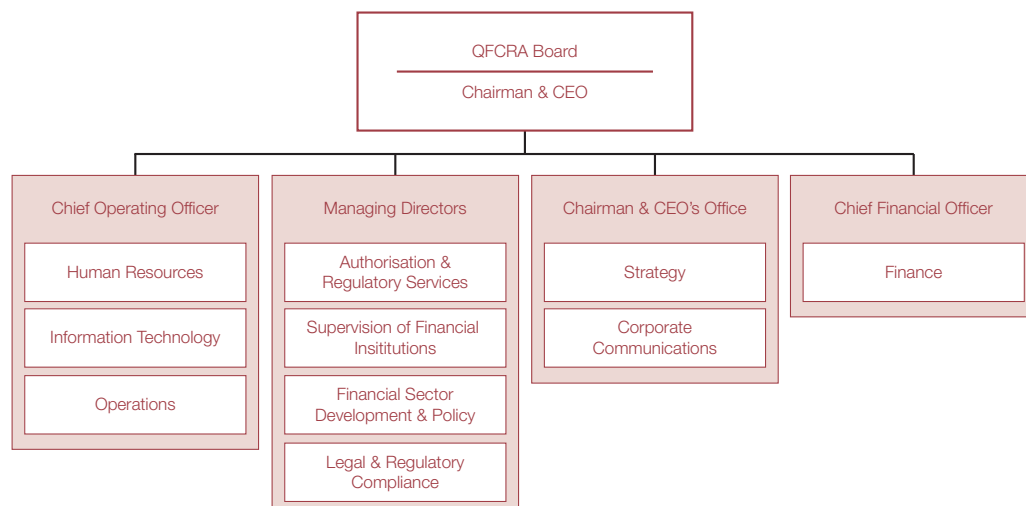
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Introduction

The QFC structure



The QFCRA structure



QFC Regulatory Authority: Factsheet

History

- The Qatar Financial Centre Regulatory Authority (the QFCRA) was established by article 8 of Law No.(7) of 2005 of the State of Qatar.
- That Law was amended by Law No. (2) of 2009 of the State of Qatar.

Management

- The Council of Ministers of the State of Qatar appoints the QFCRA Board
- The QFCRA Board reports directly to the Council of Ministers
- The QFCRA Board comprises appointees with strong regulatory backgrounds from around the world

Regulatory Functions

- Authorises and regulates firms that conduct financial services in or from the QFC

Authorised Firms

- Total firms in the QFC as at 31 December 2008 = 101
42 Firms providing non-regulated activities
59 Firms providing regulated activities

Authorised Individuals

- Total authorised individuals as at 31 December 2008 = 451

Divisions & Departments

- Authorisation & Regulatory Services
- Supervision
- Financial Sector Development & Policy
- Legal & Regulatory Compliance
- Operations & Information Technology
- Human Resources
- Corporate Communications
- Finance
- Internal Audit

Chairman's Statement



What a difference a year can make! The events of 2008 have been tumultuous, and amongst other things, have caused significant damage to the financial services markets, and of course, a rethinking of the approach to financial regulation. For the QFC Regulatory Authority and for Qatar generally, the unfolding events in the second half of 2008 did at times seem some distance off, and were categorised by some as “other people’s problems”. But the world is far too interconnected for any jurisdiction to be unaffected by the turmoil that we have seen, and while we have been fortunate to have some degree of insulation, the consequences of a major financial meltdown, and the impact on the world’s real economy, has filtered through to Qatar: perhaps a little later than elsewhere, and perhaps with less severity, but nevertheless with measurable effect.

In terms of QFC Regulatory Authority business, this has manifested itself in a general slowing of the rate of growth in the number of applications by firms to establish in the QFC, and in the volume of business being undertaken by authorised firms. The year ended with 59 authorised firms on the register, 42 licensed firms and 451 registered individuals: all healthy increases over the comparable numbers in 2007.

The relative level of insulation has a great deal to do with the economic story of Qatar, which constitutes one of the few bright spots in today’s global picture. Qatar has had to deal with the consequence of oil prices dropping dramatically towards the year end, nevertheless, Qatar’s bad news would be seen as very positive news in just about any other jurisdiction: GDP growth for 2008 was estimated at 20+ %, and early projections for 2009 are that Qatar will continue to see growth in the order of 9%. In significant part this is because of the continuing growth in LNG production in the country, with an expectation that output will double by 2010 to more than 60 million tons of LNG per annum, and rise again in 2011 to 77 million tons. Even with oil and gas prices below the averages for the preceding year, the doubling of output means a healthy cash flow for the country and a capacity to continue the rapid but prudent growth that has been the basis for development in many sectors, including financial services.

It is therefore not surprising that the QFC Regulatory Authority has continued to see high levels of interest from financial services firms who recognise that opportunities continue to be available in Qatar and its neighbouring Gulf countries. As I have noted, this led to a continued positive picture through to the end of 2008, though at the time of writing, we are now able to assess the early 2009 trends, which suggest that while growth is continuing, the pace of expansion has slowed. Particularly in respect of international financial firms, their ability to take forward their plans for establishment or expansion in the QFC is being inhibited by major losses and retrenchment in their home jurisdictions. The overall prognosis continues to be positive, but a quieter 2009 seems inevitable.

While the business picture remains broadly positive, the regulatory story has been demanding time and attention. The Regulatory Authority had expected 2008 to be a year of significant change to the regulatory structure in Qatar, given the Government's plans to move to a single regulatory body. Not surprisingly events in world markets, and major questions over the effectiveness of different regulatory models, have caused the Government to be preoccupied with more pressing economic issues and to recognize that previous assumptions may need re-examination.

One of the key issues for further consideration is the relationship between the critical components in any financial oversight system; which in the context of Qatar involves the financial regulator, the Central Bank, and the Ministry of Finance. The experience of the United Kingdom and the United States clearly points to problems that can arise in structuring those relationships and has also highlighted the need for adequate powers for the respective bodies, transparency in the relationships between them, and appropriate accountability in the exercise of the powers that are vested in them. The international debate on these relationships is likely to continue through 2009, and we will review with interest the suggestions for achieving an appropriate balance between the objectives of the regulatory body and the objectives of those responsible for financial stability and the public purse.

There is also much to be learned from the crisis about the way in which regulation should be delivered. There is already evidence about the damage that can occur when there is the opportunity for regulatory arbitrage and where there are a number of bodies discharging similar regulatory functions in a jurisdiction. Further, more proof could not be needed of the potential for misuse of the system where there are also gaps between the jurisdictions of different regulatory bodies. This has particular resonance in Qatar, where the three existing regulators (our own Regulatory Authority, the Central Bank in respect of domestic banking institutions, and the recently formed Markets Authority overseeing the stock market) provide imperfect coverage of financial services in the State. An area of particular concern is insurance, where the current domestic regime needs significant enhancement and expansion. It is clear that Qatar will need to find a way to fill these gaps, and we remain convinced that the option of a single regulator, in a state the size of Qatar and with the resources available to us, continues to be the best option for the country.

There are also some interesting (but sadly, not new) lessons emerging about the ability of the financial services industry to be self-policing. Those who had convinced themselves that the market would be the most efficient regulator of professional financial services have been forced into reconsidering the merit of that proposition. My view is the matter was never in doubt – while there is a good case for recognising that business conducted between professional counterparties may be regulated in a different, even less invasive, way than business directed at retail customers, it would be a mistake to assume that this should be read as doing away with the need for regulation completely. In particular the crisis has brought home the importance of any regulatory system being able to deliver real disincentives for bad or destructive behaviour that impact our markets. Events have shown how important it is that the regulators and the criminal authorities maintain the powers and resources to investigate and prosecute wrongdoings when these arise. If participants

in financial services perceive that there is limited or no corporate or personal downside attaching to a particular course of action, then perceptions of right and wrong rapidly erode. It is therefore of fundamental importance that financial regulators have the investigative powers and resources to allow them to detect and pursue potentially abusive behavior, and that they enjoy the political support needed to undertake these functions.

Finally, we have been fortunate in Qatar to have not had significant involvement with subprime or other toxic assets. While domestic institutions have therefore not suffered losses from this type of activity, there has been an impact in terms of access to funding from the international markets. The Government of Qatar has been proactive in seeking to bolster domestic banks through equity injections and (in 2009) through the acquisition of the banks' equity and property portfolios. This has allowed domestic businesses to increase their lending capacity to assist continued national development. The relative insulation from subprime to a degree reflects the relatively conservative nature of investor demand in Qatar, but it also is indicative of a domestic regulatory regime which has made access to such products more difficult. From an economic perspective, the availability of high levels of return from more conventional forms of investment has also diminished the attraction of these "exciting" but more risky products.

The Regulatory Authority has reacted to the evidence in other jurisdictions of losses arising from such products with much the same concerns as investors and intermediaries. We are now looking closely at the investment strategies of the firms we regulate, taking a more critical look at the nature of the capital held by these firms, and questioning previous assumptions regarding reliance on parent company or off shore funding for businesses operating within the State of Qatar.

We fully understand that the reviews being undertaken internationally and domestically also carry a real potential for regulatory overreaction, which may cause further deleveraging, raise the costs of regulatory capital, and generally inhibit the ability of firms to transact business and assume otherwise reasonable levels of risk. Again there are many debates on the appropriate level of regulation for the post-crisis world now being conducted amongst international regulatory bodies, and we expect to follow these with interest through the course of 2009. We will be careful to ensure that any consequent regulatory reforms proposed by the Regulatory Authority are proportionate, and balance the need for caution, while recognising that a primary function of financial services is the assessment, trading, and management of risk. Financial services business cannot, by its nature, be risk free.

As I have noted, we have seen an interesting and challenging 2008 and finished the year in good health. The challenges of 2009 will be no less interesting, but I am confident that we will continue to see growth, and growing confidence, in the opportunities in Qatar and the value offered to investors, financial services firms, and the State of Qatar by the QFC Regulatory Authority.



Phillip Thorpe
Chairman & CEO

The Board

The Board

The Board comprises five members, four of whom are independent non-executive directors. The Chairman and Chief Executive Officer, Phillip Thorpe, was appointed in March 2005. The remaining Board members, Mr Andrew Sheng, Mr Brian Quinn, Mr Robert O'Sullivan and Mr Jean-François Lepetit were appointed by the Council of Ministers in March 2006. The biographies of the Board demonstrate a wide range of experience and achievement that allow the Board to discharge its statutory responsibilities and duties.

The Board met four times during 2008 with full attendance of all Board members at all meetings. The Board considered a number of quarterly and annual standing items including reviewing quarterly Financial reports, a monthly CEO's Report to the Board, the Annual Budget, the end of year Financial Statements, and other specific matters such as Miscellaneous Rule Amendments, legislative matters, various Forward Planning Initiatives, the appointment of HR consultants, regulatory policies and initiatives, and the analysis of the impact on QFC firms from the global financial crisis.

Committee membership during the year:

The Audit and Risk Committee

- Mr Robert O'Sullivan as Chairman
- Mr Brian Quinn

Report of the Audit and Risk Committee (The ARC):

The Audit and Risk Committee, comprised of two non-executive directors, was appointed by the Board of Directors to assist the Board with its oversight responsibilities. The principal focus of the ARC, consistent with its Terms of Reference, has been to monitor and oversee the following areas: (1) the integrity of the Regulatory Authority's financial reporting controls and financial statements; (2) the effectiveness of the Regulatory Authority's policies, procedures and internal controls; (3) the Regulatory Authority's compliance with legal and other requirements; (4) the qualifications, independence and performance of the Regulatory Authority's Internal Audit Function as well as the external auditing firm which tests and reviews the financial controls for purposes of expressing an opinion; (5) the effectiveness of the risk management framework in place to ensure that risks are identified in a timely manner and appropriately measured and controlled; and, (6) the development of appropriate Business Continuity and Disaster Recovery Plans and the results from periodic testing to ensure the overall effectiveness of these contingency plans.

The ARC met on four occasions during 2008, supplemented by exchanges of information between meetings. An agenda is established for each meeting and detailed papers are furnished to the ARC. Members of senior management attend each of the meetings by invitation depending on the agenda topic for discussion. The Internal Auditor and the Risk Management Officer regularly attend ARC meetings to update and discuss matters relevant to the ARC's responsibilities. All matters of significance discussed at ARC meetings are summarised by the Chairman of the Committee and shared with the Board of Directors.

It is the ARC's view, based on its continuing oversight role, that the Regulatory Authority has established appropriate policies and internal controls for its various businesses and operations. The Internal Audit Function and Risk Management framework are working as intended and provide reasonable assurance that weaknesses and/or improvement opportunities are identified and that follow-up steps are taken to address those issues. Important headway is being achieved in the areas of Business Continuity and Disaster Recovery Planning and the periodic tests undertaken to date are providing management with useful information on the overall effectiveness of these contingency plans.

The Nominations and Remuneration Committee

- Mr Jean-François Lepetit as Chairman
- Mr Andrew Sheng
- Mr Phillip Thorpe

Report of the Nominations and Remuneration Committee (The NRC):

The NRC was established to consider and make recommendations regarding prospective Board appointees and Board succession planning; consider and make recommendations to the Council of Ministers regarding Board Members' remuneration and benefits and other terms of appointment (including those of the Chairman and CEO); and consider and make recommendations to the Board on broad policy in relation to all aspects of executive remuneration (other than remuneration of the Board Members) with a view to ensuring that the remuneration arrangements of the Regulatory Authority are appropriately competitive and further the objectives of the Regulatory Authority.

The NRC met on four occasions during the year and was attended, by invitation, by the Head of Human Resources. An agenda is established for each meeting and detailed papers are furnished to the NRC. At each meeting in 2008, the Committee received a general update on Human Resources matters including localisation efforts, recruitment, employee turnover and the results of two employee engagement surveys. Following each survey, the NRC reviewed the results and action plans implemented. Highlights of the Committee's recommendations to the Board include matters related to the 2008 review of employee compensation; an appropriate means of monitoring and addressing challenges related to the volatility of foreign currency exchange rates; and employee retention initiatives.

The QFCRA Board



Back row - left to right: **Phillip Thorpe**; **Robert O'Sullivan**; **Andrew Sheng**
Front row - left to right: **Jean-François Lepetit**; **Brian Quinn**

Board Member Biographies:

Mr. Phillip Thorpe

Phillip Thorpe has held the position of Chairman and 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 the 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 and CEO.

Mr. Jean-François Lepetit

As a banker, Jean-François Lepetit was Chief Executive Officer of Bank Indosuez and subsequently Chairman of BNP Paribas Group's Market Risk Committee. He is currently a non-executive director of BNP Paribas. 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 Etablissements 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

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

Brian Quinn is a former Executive Director, Supervision and 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 a 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 Quinn has held non-executive directorships in a number of financial companies, and is currently a non-executive director of Genworth Financial Mortgage Insurance Ltd. and the Toronto Centre International Leadership Centre. He is an Honorary Professor of Economics at Glasgow University and was formerly Chairman of Celtic Plc.

Mr. Andrew Sheng

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 and Futures Commission for seven years. He has chaired the Technical Committee of IOSCO, various committees of the Financial Stability Forum and the Group of 22 Finance Ministers and Central Bank Governors. He is Chief Adviser to the China Banking Regulatory Commission and a non-executive director of Khazanah Nasional Berhad and Sime Darby Berhad in Malaysia.

Corporate Governance

General

The QFCRA is established by Law No.(7) of 2005 of the State of Qatar (the “QFC Law”) . That Law was amended by Law No.(2) of 2009 of the state of Qatar.

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 the QFCRA adopted a Governance Resolution in respect of the governance of the Regulatory Authority.

That resolution:

- sets out the policy of the Board on various governance matters, reflecting the Board’s intention that the business of the Regulatory Authority 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 Regulatory Authority;
- 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 Regulatory Authority; and
- contains various other matters of general application regarding the governance of the Regulatory Authority.

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 Regulatory Authority.
- Schedule 4 of the QFC Law outlines the powers and duties of the Board.
- In addition, the Board is to:
 - exercise such functions of the Regulatory Authority which under the QFC Law or other applicable QFC legislation only the Board can exercise;
 - make strategic decisions affecting the future operation of the Regulatory Authority;
 - oversee the discharge by the executive management of the day to day business of the Regulatory Authority;
 - set appropriate policies to manage risks to the Regulatory Authority’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 Regulatory Authority;
 - 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.
- Each Board member is:
 - entitled to be supplied with relevant information (subject to any conflict of interest);
 - have access to professional advice in particular instances.

The Chairman and 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 whose responsibilities relate to the role of the Chairman and which relate to the role of CEO.

Audit and Risk Committee

- The resolution establishes a Board Audit and Risk Committee ("ARC") comprising at least two independent Non-Executive Board Members, at least one of whom should have recent and relevant financial experience.
- The functions of the ARC are to assist the Board satisfying itself on specific matters including :
 - the quality of the financial management of the Regulatory Authority and the adequacy of its system of internal controls
 - the identification and management of the significant risks to the Regulatory Authority's objectives and outcomes
 - the internal and external audit function
 - the implication of any legal action being taken against the Regulatory Authority, 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 and Remuneration Committee

- The resolution establishes a Board Nominations and 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)
 - broad policy on all aspects of executive remuneration.

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 Regulatory Authority’s functions, the extent to which, in its opinion, the Regulatory Authority’s objectives have been met; and other matters required by law.

The Executive Team



Back row - left to right: **Michael Webb**, *Managing Director, Financial Sector Development and Policy*; **Michael J Lesser**, *Managing Director, Supervision of Financial Institutions*; **Jay Perumal**, *Chief Financial Officer*.
Front row - left to right: **Phillip Thorpe**, *Chairman and CEO*; **Richard Collins**, *Managing Director, Authorisation and Regulatory Services*.

Mr. Richard Collins

Managing Director, Authorisation and Regulatory Services

Mr. Collins is Managing Director of Authorisation and Regulatory Services at the QFCRA. Most recently, before taking up his assignment at the Regulatory Authority, he was a partner with a UK-based international consultancy firm.

Following his graduation from the University of Cambridge, England, with a degree in mathematics, Mr. Collins qualified as a Chartered Accountant with one of the leading worldwide firms and has built up nearly 25 years' experience of working in financial services regulation at a number of blue chip global financial institutions in the United States, the United Kingdom, and Europe. Among these positions was his appointment as Group Compliance Director at one of the UK's top banking institutions for four and a half years.

Mr. Collins is a Fellow of the Chartered Accountants in England and Wales, a Fellow of the Society of Advanced Legal Studies, and a Tribunal Member of the UK Accountancy and Actuarial Disciplinary Board. He is also a Member of the Worshipful Company of International Bankers and was admitted to the Freedom of the City of London in 2006.

Mr. Michael J Lesser

Managing Director, Supervision of Financial Institutions

Mr. Lesser has had 35 years of experience as a supervisor of banks and financial institutions. A recipient of the Robert H. McCormick Award for Excellence in International Bank Supervision, Mr. Lesser previously worked at the New York State Banking Department as Deputy Superintendent of Banks, with overall responsibility for the supervision of depository institutions. He has headed various divisions at the N.Y. State Banking Department, including Large Complex Banks, Foreign Banks, Research and Technical Assistance and held the position of Chief Bank Examiner. He also had responsibility for overseas examinations and international regulatory liaison. A frequent speaker on BSA/AML compliance and bank supervisory matters, Mr. Lesser has drafted protocols (both interstate and federal-state) for the U.S. foreign bank supervision cooperation agreements. He has also worked on the drafting of the rating system and examination manuals used in the U.S. for offices of foreign banking organisations. Mr. Lesser holds a Bachelors of Arts degree in Economics from the City College in New York.

Mr. Michael Webb

Managing Director, Financial Sector
Development and Policy

Mr. Webb took up his position with the QFCRA in 2005.

Prior to joining the QFCRA, Mr Webb was a senior New Zealand commercial barrister specialising in regulatory, commercial and governmental law. He was also a non-executive director of various major companies in New Zealand and Australia.

Throughout his career he has been closely involved in the development of the legal and regulatory regimes for financial markets and specific industry sectors, and law reform generally.

From 1992 to 2003 he was a Board Member, and at various times Acting Chairman, of the New Zealand Securities Commission. Other appointments have included as a Member of the Disciplinary Panel of the New Zealand Exchange, and as Chair of the Joint Insolvency Committee working with the New Zealand Government on insolvency law reform. In 2004/5 he was Chair of the Ministerial Task Force on Financial Intermediaries in New Zealand, the report of which has now formed the basis of new legislation for financial intermediaries in New Zealand.

Mr. Derek Oliver

Director, Legal and Regulatory Compliance

Cambridge educated, Derek Oliver was admitted as a Solicitor in England and Wales in April 1979. With over twenty years experience in the financial services sector including a successful spell working within the Official Receiver's Office of the Hong Kong Government and a three year tenure as Director of Legal and Regulatory Compliance at OMLX and EDX London, two of the derivative exchanges in London, he brings with him considerable expertise of evolving regulatory frameworks and transformational developments. He has worked in a variety of financial services bodies advising the UK's Financial Services Authority on proposals for UK legislative amendments and incorporating EU financial services directives. In addition Mr. Oliver has developed an extensive body of experience concerning the implementation of co-operative agreements on the effective regulation of cross-border markets

Mr. Jay Perumal

Chief Financial Officer

Mr. Perumal joined the QFCRA from the Dubai Financial Services Authority where he was the Chief Financial Officer. Prior to this role, Mr Perumal held senior finance positions in both Canada and Hong Kong. He has over 25 years of industry experience which includes international assignments with industry leading organisations such as HSBC and Citibank. He is qualified as a Chartered Management Accountant with the Chartered Institute of Management Accountants (UK) and a Chartered Accountant with the Institute of Chartered Accounts (Sri Lanka).

Authorisation and Regulatory Services

About the Division

The Authorisation and Regulatory Services Division (“Authorisation”) plays a key role within the QFCRA, being the first point of contact in the QFCRA for firms seeking authorisation to carry on regulated activities in the Qatar Financial Centre (QFC). Further, on behalf of the QFC Authority, the Division administers the application process for firms seeking a licence to carry on non-regulated activities within the QFC.

The Division works with applicant firms and their representatives through an iterative process that is designed to promote and instil international regulatory standards and to develop the applicant’s understanding of the necessary requirements to establish in the QFC. This approach ensures that the applicant is afforded the opportunity to both understand and meet its responsibilities while safeguarding the efficiency of the process for all parties.

The Division also houses the Regulatory Services Group, which carries out the administrative work connected with the various application, reporting and notification forms lodged by both applicant and authorised firms and in respect of individuals approvals.

2008 in Review

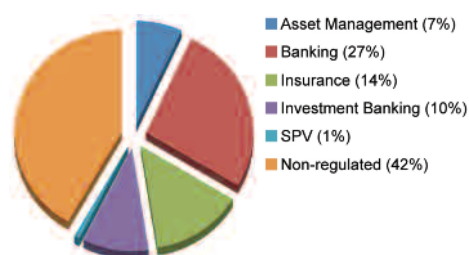
2008 was a productive year for the Division, with the submission of **21** applications for authorisation and **13** for licensing in the QFC. As at 31st December 2008, **101** licences had been issued, with **59** in respect of regulated activities, representing an increase of 49% and 55% respectively on the totals at the end of 2007 (see Appendix 1). Furthermore, as at the same date, **8** applications were in process within the Division, with **11** applications in preparation for submission.

December 2008 saw an important landmark for the QFCRA with the issuance of the 100th licence, demonstrating a robust year-on-year increase in the opportunities provided by the Centre. The fact that this licence was granted to a local Islamic bank is indicative of both the growing significance of Islamic finance and the heightened interest in the QFC shown by local and regional financial institutions.

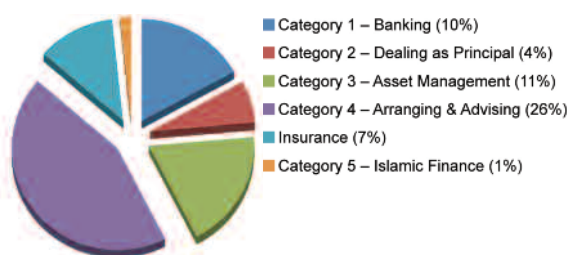
During 2008, including withdrawals, **282** approved individual applications were processed. The number of active approved individuals rose to **451**, an increase of **148**, or 49%, on 2007 (see Appendix 2).

The Division continues to examine methods of improving efficiency and is seeking ways to streamline its processes in order to enhance delivery to relevant parties. Authorisation has also continued to provide technical input to professional service providers who are engaged in helping firms with their applications.

QFC Licensed Firms by Sector

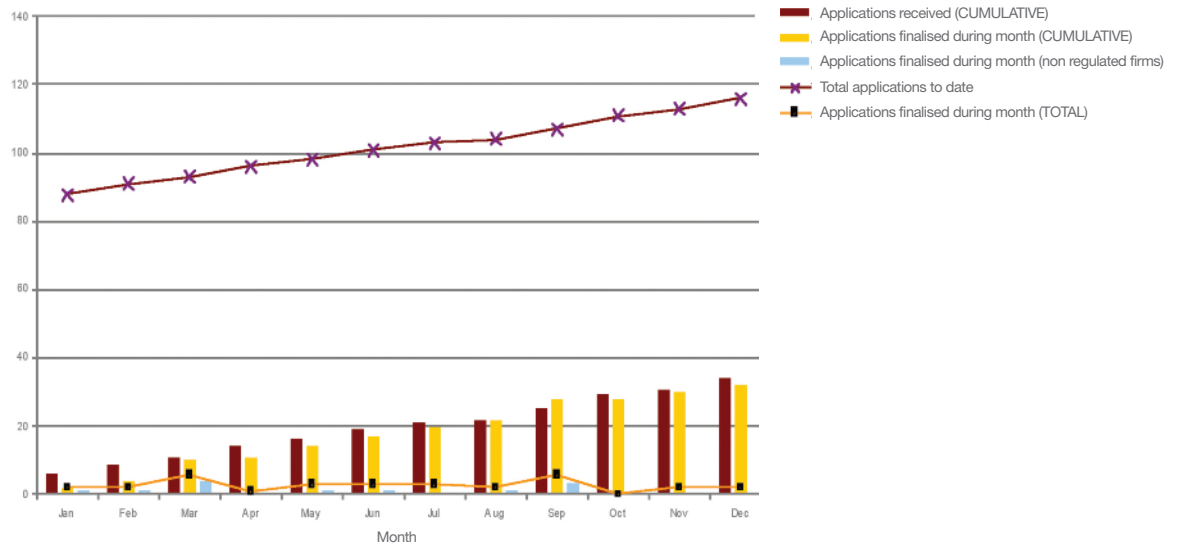


QFC Regulated Firms by Category



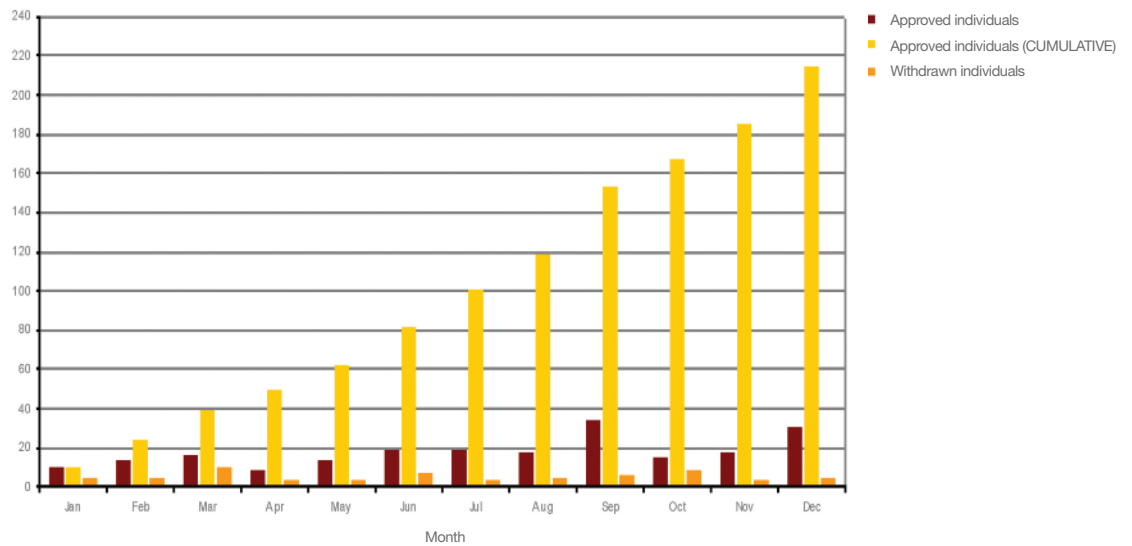
Home Jurisdiction of QFC Firms as at 31st December 2008

Year 2008 in Review
Firm Applications Licensed and Authorised

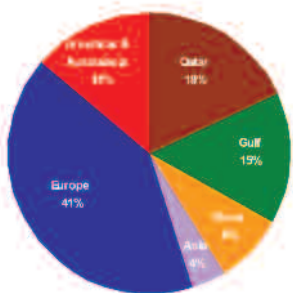


Place of Incorporation of QFC Firms as at 31st December 2008

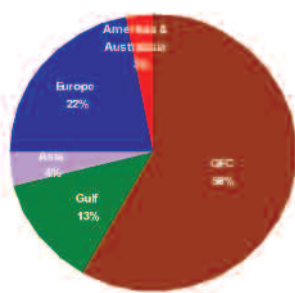
Year 2008 in Review
Firm Applications Licensed and Authorised



Home Jurisdiction of QFC Firms as at 31st December 2008



Place of Incorporation of QFC Firms as at 31st December 2008



About the Authorisation Team

Authorisation comprises 14 staff who bring with them a variety of regulatory and financial services expertise derived from both the GCC region and from other major international financial services markets. One important element of the Authorisation staff development programme during 2008 lay in the enhancement of its Islamic Finance expertise, an approach which reflects the growing importance of Islamic Finance both within the region and globally.

Contact

More information about the Authorisation and Regulatory Services Division of the QFCRA may be found at:
http://www.qfcra.com/whatdo/Authorisation_Regulatory.php

“We are delighted that 2008 saw the landmark 100th Licence issued in the QFC and it was especially pleasing that the recipient was an Islamic financial institution with strong Qatari ties”

Richard Collins
Managing Director, Authorisation and Regulatory Services

Supervision Division

About the Division

Responsibilities

The Supervision Division (“Supervision”) is responsible for supervising and regulating all authorised firms operating within the QFC. The firms cover a wide range of industry sectors including banking, asset management and insurance. The Division’s primary objective is to ensure that QFC firms adhere to sound practices and comply with all the relevant laws and regulations. Additionally, the Division bears responsibility for monitoring the compliance of certain professional firms operating in the QFC with internationally agreed and monitored Anti Money Laundering requirements.

During 2008 the portfolio of authorised firms grew, both in size and complexity, and the Division 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 by the Basel Committee, the International Association of Insurance Supervisors, and the International Organization of Securities Commissions. 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. This included a focus on best practice in the area of Corporate Governance.

Risk Focus

Supervision’s risk-focused process seeks to continually identify the significant risks to the authorised institutions, to the QFC and to Qatar. During 2008 Supervision resources focused predominantly on the ongoing supervision of firms through close off-site monitoring, on-site risk assessments and focused/themed reviews. Supervision has been monitoring the regulatory environments in a number of jurisdictions in light of the current financial climate and, during 2008, the Division increased the liquidity monitoring of firms taking deposits along with additional monitoring requirements for all authorised firms.

In line with the Division’s approach, each firm is supervised under a customised supervisory plan and is subject to periodic risk assessments, on-site visits, off-site reporting, and meetings with internal and external auditors, directors and senior management. In 2008 the Division developed a close and continuous supervision regime, utilised for more complex institutions and those that pose a higher risk to the QFCRA’s regulatory objectives, to complement the existing standard supervision model. The information gathered through these processes forms the basis of the division’s firm specific supervisory assessment and future supervisory plans.

2008 in Review

At year end, there were 59 authorised firms under supervision. The combined assets of these authorised institutions had reached nearly \$2 billion by the end of 2008. Firms controlled by Qatari and regional interests dominate the level of activity in the QFC, measured in terms of total assets.

The QFC's first Category 5 Firm (an Islamic Bank offering Profit Sharing Investment Accounts) was authorised at the close of 2008 and a number of firms with Islamic Endorsements continue to develop their business in and from the QFC. During the year and in line with organisational policy, a number of the Division's staff undertook Islamic Finance related training and the QFCRA's Prudential Returns were revised to deal with the developing Islamic finance environment.

The QFCRA authorised 4 additional insurance intermediaries, making a total of 5 insurance intermediaries conducting business in or from the QFC. The QFCRA also authorised its first reinsurance entity during 2008. All insurance firms recorded healthy growth in premiums during 2008. The QFC insurance firms have recorded \$340 million in Gross Premiums as at the end of 2008 (compared to \$173 million as at the end of 2007).

In early 2008 the QFCRA introduced the Collective Investment Funds Rulebook (COLL) to allow firms to establish funds in the QFC. A Guide to Retail Insurance for policyholders was also produced and distributed to consumers in Qatar.

Prevention of Financial Crime and Anti-Money Laundering (AML) Initiatives

In line with QFCRA AML objectives, the Division undertook a number of initiatives in this area. The dedicated Financial Crime and AML team continued to provide internal training to staff and active encouragement of the wider attainment of financial crime prevention qualifications across the QFCRA. The team also provided specialist AML and financial crime prevention training to a number of firms within the QFC. In addition, a member of the AML team was seconded to the New York Federal Reserve Bank and the New York State Banking Department for two months during 2008 to participate in the AML examinations.

The AML team is also responsible for the AML supervision of Licensed Professional Firms (lawyers, accountants, company service providers operating in the QFC). As at 31 December 2008 there were 20 Licensed Professional Firms in the QFC. During the year, the AML team conducted a thematic review of Licensed Professional Firms to establish the extent to which these firms have implemented their obligations under the QFC's AML regulations and rules.

Qatar and the QFC were the subject of a detailed review of its AML/CFT framework by the IMF during 2007, the details of which were published in 2008. The AML team was heavily engaged in working with the assessors to verify information and in preparation of the official response to their findings. The final report was adopted by the FATF and the MENAFATF in early 2008.

Along with the National Anti-Money Laundering Committee and the other Qatari agencies, the QFCRA is committed to implementing measures designed to ensure the ongoing compliance with FATF's 40 +9 recommendations and duly amended the QFC's AML rules in April 2008 to implement some of the IMF's recommendations.

About the Team

The Supervision Division comprises 20 specialists with extensive experience of major international regulatory bodies from jurisdictions including the UK, Australia, Germany, Hong Kong, Singapore and the United States. A significant number are professionally certified and many are members of professional organisations in their respective fields.

In line with the QFCRA's strategic approach, the Division is engaged in a number of community outreach programmes inside Qatar and Divisional staff are active in a variety of community organisations.

Contacts

For more information about Supervision please check its webpage at:
<http://www.qfcra.com/whatdo/Supervision.php>

“Qatar is not insulated from the world’s financial difficulties though it has been less affected than most other international financial centres. Financial supervisors, including the QFCRA, must view these events, however serious, as opportunities to bring improvements to the supervisory process.”

Michael J Lesser

Managing Director, Supervision
of Financial Institutions

Financial Sector Development and Policy Division

About the Division

The Financial Sector Development and Policy Division ("FSDP") focuses primarily on the development and application of the QFC's legal and regulatory regime. In this role, it focuses on:

- proposing legislation and policies for the QFCRA;
- assessing new opportunities, initiatives and risks from a regulatory and legislative perspective;
- assessing market, regulatory and legal developments relevant to the QFCRA's legislative and regulatory regime; and
- liaising with market participants and other bodies.

FSDP's focus is on legislation and regulatory policy and whilst its work does carry a significant legal component, FSDP does not provide legal advice on operational, compliance or enforcement matters.

2008 in Review

The key activities of FSDP in 2008, in conjunction with other QFCRA Divisions, included the following items.

Single integrated regulator project

The major focus of the Division in 2008 was on continuing work in addressing the policy and legal issues for the establishment of a single, integrated regulator for the Qatar financial markets, as announced by the Government in 2007. This included preparation of draft primary and secondary legislation in conjunction with the Ministry of Finance and its advisers, the Qatar Central Bank, and the Qatar Financial Markets Authority. This work will be further developed as the Government makes further decisions on this project and its timing.

The Division also undertook and co-ordinated extensive policy work on issues and options for 'tripartite' type arrangements between a regulator, central bank and government under a single integrated regulatory regime. The issues and outcomes emerging from the global market turmoil, and the collapse of Northern Rock plc in the United Kingdom were of considerable relevance to this work.

QFC Civil and Commercial Court and QFC Regulatory Tribunal

The Division was extensively engaged in the preparation of the legislation relating to the establishment of the QFC Civil and Commercial Court and the QFC Regulatory Tribunal, including discussions with the Diwan, and the Court and Tribunal and their advisers. As a post year-end item, it is very pleasing to note that amendments to the QFC Law to further provide for the Court and Tribunal have now been enacted by His Highness the Emir.

QFC Law

The Division was involved in discussions with other agencies on the interface between the QFC and non-QFC Laws of the State, and proposed amendments to the QFC Law in that context.

QFCRA Rules

Two sets of proposals for amendments to QFCRA rules were released for public consultation during 2008, with the amendments enacted in March and September of 2008.

These included changes to:

- the Anti Money Laundering (AML) Rulebook. The amendments proposed to the AMLR take into account ongoing work at domestic, regional and international levels on these matters, including as part of the IMF/FATF/GCC mutual evaluation processes. The amendments are particularly directed at compliance with the "40 Recommendations" and the "Special Recommendations" of the Financial Action Task Force;
- the treatment of client money, custody investments and insurance money under the Assets (ASET) Rulebook;
- the content of life policy disclosure documents under the Conduct of Business (COND) Rulebook;
- the exemption of certain short-term exposures from concentration risk limits under the Interim Prudential-Investment, Insurance Mediation and Banking Business (PIIB) Rulebook; and
- the prudential returns which must be prepared by authorised firms, now identified by notice published by the QFCRA rather than in the rules themselves. A Policy Statement was also prepared, and approved by the QFCRA Board, in relation to penalties for late filing of returns and other information.

The Division also advises on various policy issues including the effect of changes in regulatory developments internationally.

FSDP, acting as the Secretariat and Chair of the Waivers and Modifications Committee, dealt with 36 applications for waivers and modifications to QFCRA rules during 2008.

About the Team

The FSDP Division comprises a multi-disciplinary team of 10 with its members having specialist expertise and experience in law, regulation, public policy development, and legislative drafting.

Within the Division, the Policy team enjoys responsibility for the policy development function, and Legislative Counsel shoulders responsibility for advising on, and preparing, legislation and the maintenance and publication of legislation in electronic and hard copy form.

The two teams work closely on legislative projects. All of the Division's work involves close liaison with other Divisions of the QFCRA. All legislation is also the subject of public consultation.

Looking Ahead

Areas of focus in 2009 will include:

- ensuring that the QFCRA regulatory regime is kept under review in the context of the current global market turmoil and assessing any appropriate changes;
- the development of a mandatory training and competence regulatory regime applicable to firms authorised by the QFCRA;
- the development of a general policy for penalties in the QFC regulatory regime;
- consideration of the appropriate regulatory treatment of new activities and financial products;
- Further developments of the QFCRA's regulatory regime in the context of strategic reviews being undertaken of the asset management, insurance and reinsurance sectors (including in respect of Islamic finance) by the QFC Authority.

“Whilst the international financial crisis has shown there is no monopoly of wisdom on financial market regulation, remaining true to underlying objectives such as investor confidence, systemic stability and the rule of law will be key to future financial sector development. This will continue to be our focus”

Michael Webb

Managing Director, Financial Sector Development and Policy

Contacts

For more information about FSDP please check its webpage at:

<http://www.qfcra.com/whatdo/Financial.php>

Legal and Regulatory Compliance Division

About the Division

The three core functions of the Legal Regulatory and Compliance Division (“LRC”) are enforcement, international relations and operational legal advice and assistance.

In performing the enforcement function, LRC’s role is to ensure that authorised firms and approved individuals in the QFC operate in accordance with the QFC laws and that there is an appropriate regulatory response in instances where the relevant regulatory requirements have been infringed.

Recent events have demonstrated the increasing importance of effective international co-operation and communication in the regulation of financial services. International regulatory co-operation and an understanding of the regulatory regimes applicable in overseas jurisdictions are particularly important to the work of the QFCRA given the diverse jurisdictions from which applicants for authorisation are drawn. Establishing co-operative relationships with other international and national regulators facilitates the reciprocal sharing of supervisory information with such bodies. The work of LRC in the sphere of international relations also includes reviews of the regulatory regimes in selected foreign jurisdictions to assist the authorisation process: this is of special significance where an applicant is the first firm based in the jurisdiction in question seeking authorisation to operate in the QFC.

Operational legal advice and assistance encompasses two elements: (i) the provision of legal opinions to operational divisions on issues including interpretation of QFC laws and (ii) the provision of legal assistance to operational divisions on various legal matters, for example, advising on commercial arrangements entered into by the QFCRA.

In performing these core functions, LRC’s main priority is to assist the operational Divisions to perform their respective roles effectively and to contribute to the paramount objective of establishing the QFCRA as an international class regulator.

2008 in Review

Enforcement

LRC continues to fine tune and develop the implementation of the QFCRA enforcement process. During the year, the Division conducted a number of regulatory actions, including securing an undertaking from a firm to desist from implementing a false, misleading and deceptive advertisement and imposing restrictions and conditions on another firm’s authorisation.

LRC also conducted a number of regulatory actions on behalf of the Qatar Financial Centre Authority (QFCA) under delegated authority. With respect to regulatory matters that fall outside the jurisdiction of the QFCRA, the Division refers those matters to relevant regulators where appropriate in accordance with the QFC legislation.

The range of enforcement remedies available to LRC is broad and, in any given instance, the Division will recommend the remedy that it considers is most likely to secure the optimum regulatory outcome.

International Relations

The international relations function enables the QFCRA and other international and national regulators to share supervisory information on firms operating in the QFC and other jurisdictions. During the year, the Division has developed Memoranda of Understanding with the following regulators:

- Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin) - Financial Services Supervisory Authority of Germany;
- Monetary Authority of Singapore; and
- Capital Market Authority of the Sultanate of Oman.

LRC completed reviews of the regulatory regimes of various jurisdictions throughout 2008. The Division established co-operative ties with the Saudi Arabian Monetary Authority with a view to mutual assistance in supporting the application of the respective supervisory functions. In addition, the Division is in ongoing discussions with other international and national regulators with the aim of establishing co-operative relationships with these authorities.

Operational legal advice and assistance

The majority of LRC's work remains the provision of legal advice and assistance to the operational divisions within the QFCRA. During the year, the Division provided legal opinions on assorted issues ranging from authorisation and supervision to information technology and human resources related matters.

About the LRC Team

The LRC team consists of 7 lawyers and support staff with experience gained in various jurisdictions. The lawyers possess a blend of regulatory and financial services experience derived from positions held in other regulatory bodies, work in private practice or in-house positions within the financial services sector. LRC is a cohesive team working together with the shared aim of supporting the QFCRA in the delivery of its Regulatory Objectives.

Contacts

For more information about LRC please check its webpage at:
http://www.qfcra.com/whatdo/legal_regulatory.php

“2009 promises to be a year of formidable challenges. We will focus on contributing to the overall effort of the QFCRA as, in common with others in Qatar and beyond, we respond to the unpredictable financial and economic turmoil of these challenging times. As we do so, we will maintain our clear objective of working to ensure that QFCRA's regulatory regime contributes to the successful development of the QFC as a thriving financial centre.”

Derek Oliver
Director, Legal & Regulatory
Compliance

Human Resources Department

About the Department

The Human Resources Department is responsible for providing strategic and fully integrated Human Resources support to the QFCRA. The Department is organised by function with specialist Human Resources managers applying their expertise across the organisation.

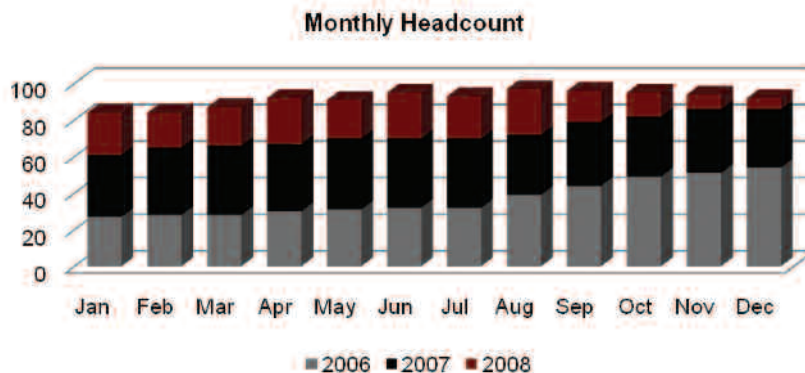
2008 in Review

Through the application of a conservative and controlled growth plan in 2008, the headcount of the QFCRA grew by eight, as compared to the end of 2007. This modest growth of headcount, depicted in the graph below, is a reflection of the maturity of the QFCRA as an organisation and the result of a focus on efficiency, in line with the objectives of both the QFCRA and the Qatar National Vision 2030.

While efficiency has been a driving force, transparency and accountability in Human Resources also remain a focus. With this in mind, a number of internal activities targeted towards constant improvement continued such as Employee Engagement Surveys and a new project was initiated to provide an intensive review of the QFCRA's HR infrastructure. Additionally, a formal employee development programme was initiated and the overall goal was achieved of providing each employee with structured development opportunities of an average of 40 – 60 hours per year.

The QFCRA has also made advancements toward localisation in line with the State of Qatar's own initiatives. During the course of 2008, the QFCRA accepted three new Qatari graduates into its 12 month training programme; one Qatari graduate completed the programme and one additional Qatari employee was appointed. The year-end percentage of Qatari National employees was 6.5%.

The QFCRA benefits from a diverse workforce representing 22 different nationalities as illustrated in the chart below. While this diverse group is fluent in a variety of languages, almost 30% speak Arabic, assisting the QFCRA to work more closely with its numerous local and regional stakeholders.



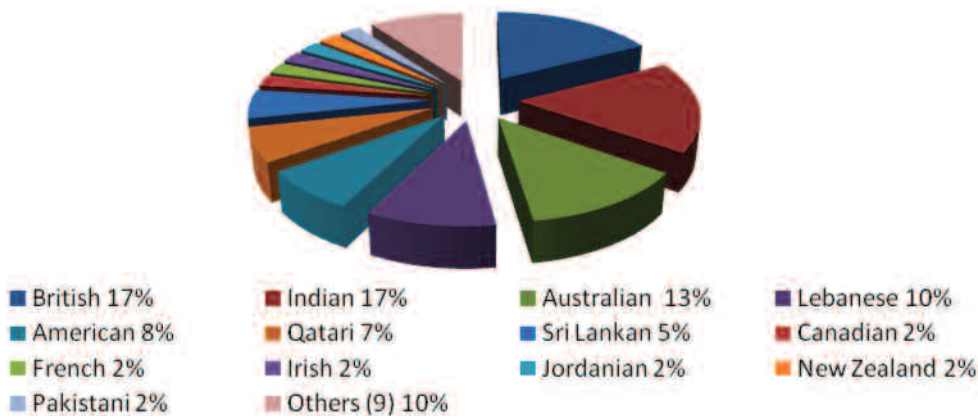
About the Team

The Human Resources Department comprises 5 HR professionals from five countries. This team has applied its expertise, derived from significant HR management experience in North America, Europe and the Middle East, to contribute to the QFCRA objectives. The Department includes one Chartered Fellow and a Chartered Member of the Chartered Institute of Personnel and two certified Achieve Global facilitators.

“Both within the region and specifically within the financial services regulatory sector, the HR challenges of the last twelve months have been significant. While these challenges have been acute in the GCC, the QFCRA has coped well by relying upon the technical expertise of its diverse employee base and by maintaining a flexible and focused approach.”

Kit Stevenson
Head of Human Resources

Distribution of Nationalities



Corporate Communications Department

About the Department

The Corporate Communications Team serves QFCRA's regulatory objectives by providing expert and timely communications advice and support whilst safeguarding and enhancing the reputation of the QFCRA and its partner agencies. The team deploys various internal and external multi-lingual communications tools and provides expert counsel in strategic communications, branding, translation services, message development, crisis media management, events, stakeholder and media relations, cultural relations and social responsibility.

Year 2008 in Review

2008 saw the team of 6 Corporate Communications experts work to support numerous successful initiatives designed to position the QFCRA as a responsible corporate citizen contributing to Qatar's ongoing development. There was a focus on social responsibility coupled with a proactive approach to creating strategic alliances within Qatar's corporate, educational, government and financial sectors. This was matched by a commitment to constantly strengthen the Arabic language communications channels of the QFCRA. In addition, considerable effort was invested in developing bi-lingual internal communications and in seeking new and effective ways to align the QFCRA with Qatar's strategic objectives.

Events & Activities

Over the course of the year, the team provided expert speakers, media relations, communications counsel or translation services to organisations including:

- The QFC Commercial Court
- The QFC Regulatory Tribunal
- The QCB Financial Intelligence Unit
- The Qatar Law Forum
- The Ministry of Business & Trade
- Qatar University

In addition the Corporate Communications team provided presentational advice, speech material and translation services to QFCRA speakers and others who attended numerous specialist financial sector, banking and regulatory conferences, seminars and events throughout the year.

Looking Forward

The Corporate Communications team will continue to promote dialogue and engagement as a means of ensuring that the QFCRA remains effectively positioned to deliver its objectives. 2009 will see continued efforts to devise useful communications activities in partnership with other key Qatari organisations. This work will aim to ensure that the expertise of the QFCRA is used to maintain the highest standards of regulatory performance and to support, wherever possible, the efforts to enhance the quality of Qatar's financial services and to develop homegrown talent in this sector.

“Our role is to convey the message that the QFCRA is a world class regulatory authority fully committed to delivering its strategic objectives, and determined to contribute to Qatar's ongoing success”

Mark Morley

Head of Corporate Communications

Contacts

- For news/media inquiries please contact: news@qfcra.com
- For events inquiries please contact: events@qfcra.com
- For more information about Corporate Communications please visit its website press room at <http://www.qfcra.com/catalog/>

Finance Department

About the Department

The Finance Department is responsible for ensuring that the QFCRA deploys its resources in a prudent and accountable manner in the pursuit of its overall strategic objectives. This work is founded on activity based budgeting, effective cost management, careful investment of financial resources to maximize value returns and finally the transparent management and reporting of the QFCRA's financial performance to internal and external stakeholders.

“We have a dedicated and hard working finance team and our challenge is to retain and motivate them to continue performing at the highest professional level”

Jay Perumal
Chief Financial Officer, QFCRA

2008 in Review

During 2008 the Finance Department undertook internal reviews which led to improved processes related to budgeting, risk management, cost management and raising and collecting fees. Enhancements to the QFCRA's accounting system resulted in more timely recording and reporting of financial information. The Department also worked with the Human Resources and Information Technology Department in evaluating and selecting a Human Resources and Payroll system for the QFCRA.

About the Team

The Department is directed by the Chief Financial Officer and comprises a team of 6 professional accounting staff with experience and expertise in their areas of responsibility and continuous professional development is actively encouraged.

Appendices

Appendix 1

Details of Licences granted as at 31st December 2008

QFC Number	Firm Name	Legal Status	Date of Licence	Permitted Activities
00001	Ansbacher & Co Limited	Branch	29/09/2005	Regulated Activities and Professional Services
00002	BDO JawadHabib Consulting WLL	Branch	12/10/2005	Professional Services (Consulting)
00003	Arab Jordan Investment Bank (Qatar) LLC	QFC LLC	05/12/2005	Regulated Activities
00004	Qatar Holding LLC	QFC LLC	04/04/2006	The business of a Holding Company
00005	Credit Suisse Financial Services (Qatar) LLC	QFC LLC	01/03/2006	Regulated Activities
00006	Arab Law Bureau LLP	QFC LLP	20/03/2006	Professional Services (Legal)
00007	United Gulf Financial Services Company LLC	QFC LLC	21/03/2006	Regulated Activities
00008	AXA Investment Managers LLC	QFC LLC	23/04/2006	Regulated Activities
00009	Kuwait Financial Centre S.A.K.	Branch	01/05/2006	Regulated Activities
00010	Standard Chartered Bank	Branch	22/06/2006	Regulated Activities
00011	Global Investment House (Qatar) LLC	QFC LLC	28/06/2006	Regulated Activities
00012	QREIC Sukuk LLC	QFC LLC	10/07/2006	Regulated Activities
00013	PricewaterhouseCoopers – Qatar LLC	QFC LLC	21/08/2006	Professional Services (Assurance, Advisory, and Tax)
00014	Eversheds LLP	Branch	24/08/2006	Professional Services (Legal)
00015	Eversheds Legal Services (Qatar) LLC	QFC LLC	24/08/2006	Professional Services (Legal)
00016	Lalive in Qatar LLP	QFC LLP	31/08/2006	Professional Services (Legal)
00017	Bell Pottinger Communications Limited	Branch	31/08/2006	Professional Services (Public Relations)
00018	Barclays Bank PLC	Branch	10/09/2006	Regulated Activities
00019	Morgan Stanley & Co International PLC	Branch	12/09/2006	Regulated Activities
00020	Talent Partners in the Gulf Limited	Branch	30/10/2006	Professional Services (Executive Search)
00021	UBP (Qatar) LLC	QFC LLC	31/10/2006	Regulated Activities
00022	Apis Consulting Group LLC	QFC LLC	12/11/2006	Professional Services (Strategic Change and Project Management)
00023	International Legal Consultants LLC	QFC LLC	13/11/2006	Professional Services (Legal, Companies, and Trust Administration)
00024	AXA Insurance (Gulf) BSC	Branch	19/11/2006	Regulated Activities
00025	MXV Capital LLC	QFC LLC	11/12/2006	Professional Services (Strategic Consultancy and Administrative Consultancy)
00026	National Bank of Dubai PJSC	Branch	12/12/2006	Regulated Activities
00027	Bank Audi LLC	QFC LLC	21/12/2006	Regulated Activities
00028	Alpen Capital Investment Bank (Qatar) LLC	QFC LLC	21/12/2006	Regulated Activities
00029	Clyde & Co LLP	Branch	27/12/2006	Professional Services (Legal)
00030	International Mercantile Exchange Holdings LLC	QFC LLC	27/12/2006	The business of a Holding Company
00031	Hugh Fraser International Legal Consultancy LLC	QFC LLC	28/12/2006	Professional Services (Legal)
00032	Deutsche Bank AG Doha (QFC) Branch	Branch	28/12/2006	Regulated Activities
00033	Badri and Salim El Meouchi, LLP	QFC LLP	28/12/2006	Professional Services (Legal)

QFC Number	Firm Name	Legal Status	Date of Licence	Permitted Activities
00034	QIC International LLC	QFC LLC	12/02/2007	Regulated Activities
00035	AIG MEMSA Insurance Company Limited	Branch	18/02/2007	Regulated Activities
00036	American Life Insurance Company ("ALICO")	Branch	26/02/2007	Regulated Activities
00037	Qtel International Investments LLC	QFC LLC	01/03/2007	The business of a Holding Company
00038	Sayel M. Daher Law Offices LLC	QFC LLC	11/03/2007	Professional Services (Legal)
00039	Morison Menon Chartered Accountants LLC	QFC LLC	18/03/2007	Professional Services (Audit, Accounting, and Consulting)
00040	Lehman Brothers International (Europe)	Branch	18/03/2007	Regulated Activities
00041	ICICI Bank Limited	Branch	21/03/2007	Regulated Activities
00042	Qatar Capital Partners LLC	QFC LLC	29/03/2007	Regulated Activities
00043	Citibank, N.A.	Branch	31/03/2007	Regulated Activities
00044	Crédit Agricole Suisse (Qatar) LLC	QFC LLC	31/03/2007	Regulated Activities
00045	Al Rayan Investment LLC	QFC LLC	03/04/2007	Regulated Activities
00046	The Royal Bank of Scotland plc	Branch	04/04/2007	Regulated Activities
00047	WongPartnership LLP	Branch	22/04/2007	Professional Services (Legal)
00048	QINVEST LLC	QFC LLC	30/04/2007	Regulated Activities
00049	TAIB Bank Qatar LLC	QFC LLC	16/05/2007	Regulated Activities
00050	Accenture Middle East BV	Branch	20/05/2007	Professional Services (Consulting and Business Process Outsourcing)
00051	KPMG LLC	QFC LLC	24/05/2007	Professional Services (Audit, Tax, and Advisory)
00052	BankMuscat International B.S.C.	Branch	28/06/2007	Regulated Activities
00053	Goldman Sachs International	Branch	09/07/2007	Regulated Activities
00054	Doha Bank Assurance Company LLC	QFC LLC	16/07/2007	Regulated Activities
00055	Kestrel Aviation Management LLC	QFC LLC	23/07/2007	Professional Services (Consulting)
00056	GlobeMed Qatar LLC	QFC LLC	08/08/2007	Professional Services (Third Party (re) insurance Administration)
00057	Nasco Karaoglan Qatar LLC	QFC LLC	08/08/2007	Regulated Activities
00058	Rödl Consulting Middle East LLC	QFC LLC	09/08/2007	Professional Services (Consulting)
00059	CORECAP MERCHANT BANK LLC	QFC LLC	28/08/2007	Regulated Activities
00060	Qtel Group Services LLC	QFC LLC	28/08/2007	Company Headquarters, Management Offices and Treasury Operations
00061	Capstone Australasia LLC	QFC LLC	16/09/2007	Professional Services (Consulting)
00062	Salans LLP	QFC LLP	23/09/2007	Professional Services (Legal)
00063	Kaupthing Bank hf.	Branch	27/09/2007	Regulated Activities
00064	Denton Wilde Sapte & Co	Branch	09/10/2007	Professional Services (Legal)
00065	ABN AMRO Bank N.V.	Branch	11/10/2007	Regulated Activities
00066	Industrial and Commercial Bank of China Limited	Branch	31/01/2008	Regulated Activities

Appendix 1 (continued)

Details of Licences granted as at 31st December 2008

QFC Number	Firm Name	Legal Status	Date of Licence	Permitted Activities
00067	Zurich International Life Limited	Branch	08/11/2007	Regulated Activities
00068	Haggie Hepburn Qatar LLC	QFC LLC	05/12/2007	Professional Services (Public Relations)
00069	EFG-Hermes Qatar LLC	QFC LLC	13/12/2007	Regulated Activities
00070	Manpower Qatar LLC	QFC LLC	09/01/2008	Professional Services (Recruitment Consultancy)
00071	Silver Leaf Capital Partners LLC	QFC LLC	13/02/2008	The business of a Holding Company
00072	Bank Sarasin-Alpen (Qatar) LLC	QFC LLC	17/02/2008	Regulated Activities
00073	Sumitomo Mitsui Banking Corporation	Branch	08/03/2008	Regulated Activities
00074	McNair Chambers LLC	QFC LLC	08/03/2008	Professional Services (Legal)
00075	Union National Bank	Branch	08/03/2008	Regulated Activities
00076	Reed Personnel Services Qatar LLC	QFC LLC	13/03/2008	Professional Services (Consulting)
00077	DLA Piper Middle East LLP	Branch	31/03/2008	Professional Services (Legal)
00078	CCL Qatar LLC	QFC LLC	31/03/2008	Professional Services (Consulting)
00079	BLOM Bank Qatar LLC	QFC LLC	07/04/2008	Regulated Activities
00080	Cunningham Lindsey Qatar LLC	QFC LLC	19/05/2008	Professional Services (Loss Adjustment)
00081	Samba Financial Group	Branch	25/05/2008	Regulated Activities
00082	Beltone Financial Qatar LLC	QFC LLC	28/05/2008	Regulated Activities
00083	Allied Advisors LLC	QFC LLC	18/06/2008	Professional Services (Consulting)
00084	Coutts & Co	Branch	19/06/2008	Regulated Activities
00085	Marsh Qatar LLC	QFC LLC	30/06/2008	Regulated Activities and Professional Services
00086	Aon Qatar LLC	QFC LLC	22/07/2008	Regulated Activities and Professional Services
00087	UBS AG	Branch	23/07/2008	Regulated Activities
00088	State Street Middle East North Africa LLC	QFC LLC	29/07/2008	Regulated Activities
00089	Latham & Watkins LLP	Branch	18/08/2008	Professional Services (Legal)
00090	Religare Hichens, Harrison PLC	Branch	31/08/2008	Regulated Activities
00091	Qatar First Investment Bank LLC	QFC LLC	04/09/2008	Regulated Activities
00092	Al Tamimi & Company International Ltd.	Branch	10/09/2008	Professional Services (Legal)
00093	HSBC Insurance Brokers Limited	Branch	14/09/2008	Regulated Activities
00094	McKinsey & Company, Inc. Qatar	Branch	18/09/2008	Professional Services (Management Consulting)
00095	Citigate Dewe Rogerson Limited	Branch	23/09/2008	Professional Services (PR Consulting)
00096	QNB Capital LLC	QFC LLC	28/09/2008	Regulated Activities
00097	Qatar Insurance Services LLC	QFC LLC	24/11/2008	Regulated Activities
00098	First Gulf Bank – QFC Branch	Branch	24/11/2008	Regulated Activities
00099	Nexus Financial Services WLL	Branch	30/11/2008	Regulated Activities
00100	Al Mal Bank LLC	QFC LLC	03/12/2008	Regulated Activities
00101	Mitsui Sumitomo Insurance Company (Europe) Ltd	Branch	17/12/2008	Regulated Activities and Professional Services

Appendix 2

Details of Approved Individuals and Controlled Functions as at 31st December 2008

Approved Individuals	2005	2006	2007	2008	As at Dec 2008
Applications	16	86	244	215	561
Withdrawals (voluntary)	1	6	36	67	110
Withdrawals (involuntary)	0	0	0	0	0
Total Number of Approved Individuals	15	80	208	148	451

Controlled Functions carried out by Approved Individuals	2005		2006		2007		2008		As at Dec2008	
Applications*	A	W	A	W	A	W	A	W	A	W
Senior Executive Function	3	0	16	1	31	10	67	19	117	30
Executive Governance Function	3	0	23	1	18	6	36	4	80	11
Non-Executive Governance Function	1	0	6	1	36	2	48	6	91	9
Compliance Oversight Function	3	0	16	3	31	10	64	15	114	28
Risk Management Function	0	0	2	0	7	2	7	1	16	3
Finance Function	2	0	14	0	30	9	59	15	105	24
Money Laundering Reporting Function	3	1	18	3	31	10	73	19	125	33
Senior Management Function	1	0	5	0	18	5	27	3	51	8
Customer Facing Function	6	0	43	0	160	21	239	41	448	62
Actuarial Function	0	0	0	0	4	1	1	0	5	1
Total number Approved/Withdrawn	22	1	143	9	366	76	621	123	1152	209
Total number of Controlled Functions carried out by Approved Individuals	21		134		290		498		943	

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

Audit Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of Qatar Financial Centre Regulatory Authority (the "QFCRA") which comprise the balance sheet as at 31 December 2008 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.

Auditors' Responsibility

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

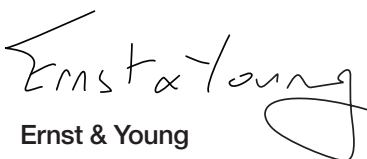
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 2008 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: June 1, 2009
Doha



Financial Statements

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Financial Statements

Qatar Financial Centre Regulatory Authority

Statement of activities

Year ended 31 December 2008

	Notes	2008 US\$'000	2007 US\$'000
Income			
Fee income		1,794	1,355
Interest income		502	660
Total income		2,296	2,015
Expenses			
Salaries and other related costs		(20,549)	(15,601)
General and administration expenses	4	(3,788)	(2,946)
Board expenses		(734)	(714)
Loss on sale of furniture and equipment		-	(15)
Total expenses		(25,071)	(19,276)
Excess of expenses over income for the year before appropriations		(22,775)	(17,261)
Appropriations from the Government	2	20,644	21,749
(Deficit)/Surplus for the year	7	(2,131)	4,488

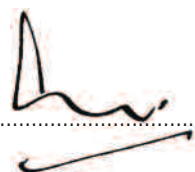
The attached notes 1 to 14 form part of these financial statements.

Qatar Financial Centre Regulatory Authority

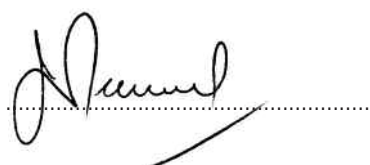
Balance sheet

At 31 December 2008

	<i>Notes</i>	2008 US\$'000	2007 US\$'000
Assets			
Non-current assets			
Furniture and equipment	5	1,433	1,597
Current assets			
Accounts receivable and prepayments	6	2,759	7,338
Cash and bank balances		13,561	8,380
		16,320	15,718
Total assets		17,753	17,315
Equity and liabilities			
Equity			
Retained surplus	2 & 7	12,651	14,782
Total equity		12,651	14,782
Current liabilities			
Accounts payable and accruals	8	5,102	2,533
Total Equity and liabilities		17,753	17,315



Phillip Thorpe
Chairman & Chief Executive Officer



Jay Perumal
Chief Financial Officer

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

Qatar Financial Centre Regulatory Authority

Cash flow statement

Year ended 31 December 2008

	<i>Notes</i>	2008 US\$'000	2007 US\$'000
Operating activities			
Excess of expenses over income for the year		(22,775)	(17,261)
Appropriations from the Government	2	20,644	21,749
Adjustments for:			
Depreciation	5	731	531
Loss on sale of furniture and equipment		–	15
Operating profit before working capital changes:		(1,400)	5,034
Receivables		4,579	(5,808)
Payables		2,674	36
Net cash from (used in) operating activities		5,853	(738)
Investing activities			
Purchase of furniture and equipment		(672)	(1,645)
Proceeds from disposal of furniture and equipment		–	54
Net cash used in investing activities		(672)	(1,591)
Increase (decrease) in cash and bank balances		5,181	(2,329)
Cash and bank balances at the beginning of the year		8,380	10,709
Cash and bank balances at end of the year		13,561	8,380

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

Qatar Financial Centre Regulatory Authority

Notes to the financial statements

At 31 December 2008

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 2008 were authorised by the Chairman and Chief Executive Officer on 1 June, 2009 for issue to the Council of Ministers of the State of Qatar as requested by Law no. 7 of 2005, article 15.4.

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\$ 20,644 thousand (2007: US\$ 21,749 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. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

3.3 IASB standards and interpretations issued but not adopted

New and revised Accounting Standards and Interpretations

IFRS 2 Share-based Payment – Vesting Conditions and Cancellations

IFRS 3R Business Combinations and IAS 27R Consolidated and Separate Financial Statements

IFRS 8 Operating Segments

IAS 1 Revised Presentation of Financial Statements

IAS 23 Borrowing Costs

IAS 32 Financial Instruments: Presentation and IAS1 Presentation of Financial Statements – Puttable Financial Instrument and Obligations Arising on Liquidation

IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items

IFRIC 13 Customer Loyalty Programmes

IFRIC 16 Hedges of a Net Investment in a Foreign Operation

The Regulatory Authority has not adopted the new accounting standards or interpretations that have been issued but are not yet effective. These standards and interpretations are not likely to have any significant impact on the financial statements of the Authority in the period of initial application except for IAS 1 (Revised):

IAS 1 Revised Presentation of Financial Statements

The revised Standard was issued in September 2007 and becomes effective for financial years beginning on or after 1 January 2009. The application of this standard will result in amendments to the presentation of the 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 license 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.

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 at the exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into the functional currency at the exchange rate 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.

4 GENERAL AND ADMINISTRATION EXPENSES

	2008 US\$'000	2007 US\$'000
Rent	1,164	872
Corporate communication expenses	539	494
Depreciation	744	531
Consultancy and professional fees	162	152
Other expenses	1,179	897
	3,788	2,946

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 2008	665	724	850	27	–	2,266
Additions	158	424	34	–	56	672
Disposals/adjustments	–	(24)	(81)	–	–	(105)
At 31 December 2008	823	1,124	803	27	56	2,833
Depreciation:						
At 1 January 2008	166	314	165	24	–	669
Charge for the year	218	288	265	3	–	774
Relating to disposals	–	(20)	(23)	–	–	(43)
At 31 December 2008	384	582	407	27	–	1,400
Net carrying amount						
At 31 December 2008	439	542	396	–	56	1,433
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

6 ACCOUNTS RECEIVABLE AND PREPAYMENTS

	2008 US\$'000	2007 US\$'000
Government appropriations receivable	959	5,849
Prepaid expenses	1,426	1,176
Fees receivables	27	92
Other receivables	347	221
	2,759	7,338

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)					>180 days US\$'000
			31 - 60 days US\$'000	61 - 90 days US\$'000	91 - 120 days US\$'000	121 - 180 days US\$'000		
2008	1,333	853	480	-	-	-	-	
2007	6,162	6,116	6	4	35	1	-	

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:

	2008 US\$'000	2007 US\$'000
Balance at 1 January	14,782	10,294
Surplus for the year	(2,131)	4,488
Balance at 31 December	12,651	14,782

8 ACCOUNTS PAYABLE AND ACCRUALS

	2008 US\$'000	2007 US\$'000
Accrued expenses	891	827
Trade payables	699	690
Employees' annual gratuity	424	340
Due to related parties (Note 11)	1,978	440
Advances from customers	1,110	204
Other payables	-	32
	5,102	2,533

9 CAPITAL COMMITMENTS

	2008 US\$'000	2007 US\$'000
Estimated capital expenditure contracted for at the balance sheet date but not provided for:		
Office equipment	56	-

10 NON-CAPITAL COMMITMENTS

(a) Lease commitments

The future minimum lease rental payables under non-cancelable operating lease:

	2008 US\$'000	2007 US\$'000
Within one year	3,127	1,196
After one year but not more than five years	1,298	1,402
	4,425	2,598

(b) Other commitments

	2008 US\$'000	2007 US\$'000
Within one year	194	-
After one year but not more than five years	18	-
	212	-

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:

	2008 US\$'000	2007 US\$'000
Appropriation from the Government (Note 2)	20,644	21,749
Services from QFCA	1,270	1,163
Services and expenses paid on behalf of related parties	2,074	1,327
Appropriation from Government received on behalf of related parties	3,562	959

Compensation of key management personnel

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

	2008 US\$'000	2007 US\$'000
Short-term benefits and employees' end of service benefits	4,516	5,094

Amounts due to related party balances

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

	2008 US\$'000	2007 US\$'000
Qatar Financial Centre Authority	15	35
Qatar Financial Centre Civil and Commercial Court	704	56
Qatar Financial Centre Regulatory Tribunal	1,259	349
	1,978	440

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.

Year ended 31 December 2008

	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	4,875	110	117	–	5,102

Liquidity risk (continued)**Year ended 31 December 2008**

	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	2,533	–	–	–	2,533

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\$ 131,000 (2007: US\$ 388,000) 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\$ 27,000 (2007: US\$ 92,000). Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the statement of activities.



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