QATAR FINANCIAL CENTRE
REGULATORY AUTHORITY

2009 Annual Report

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Contact the QFC Regulatory Authority at:

Address: Level 14, QFC Tower, Opposite to City Centre
PO Box 22989, Doha, Qatar

Telephone: +974 495 6888

Fax: +974 495 6868

E-mail: info@qfcra.com

Website: www.qfcra.com

"All photographs, both commissioned and selected for this report, reflect life in and around Doha"

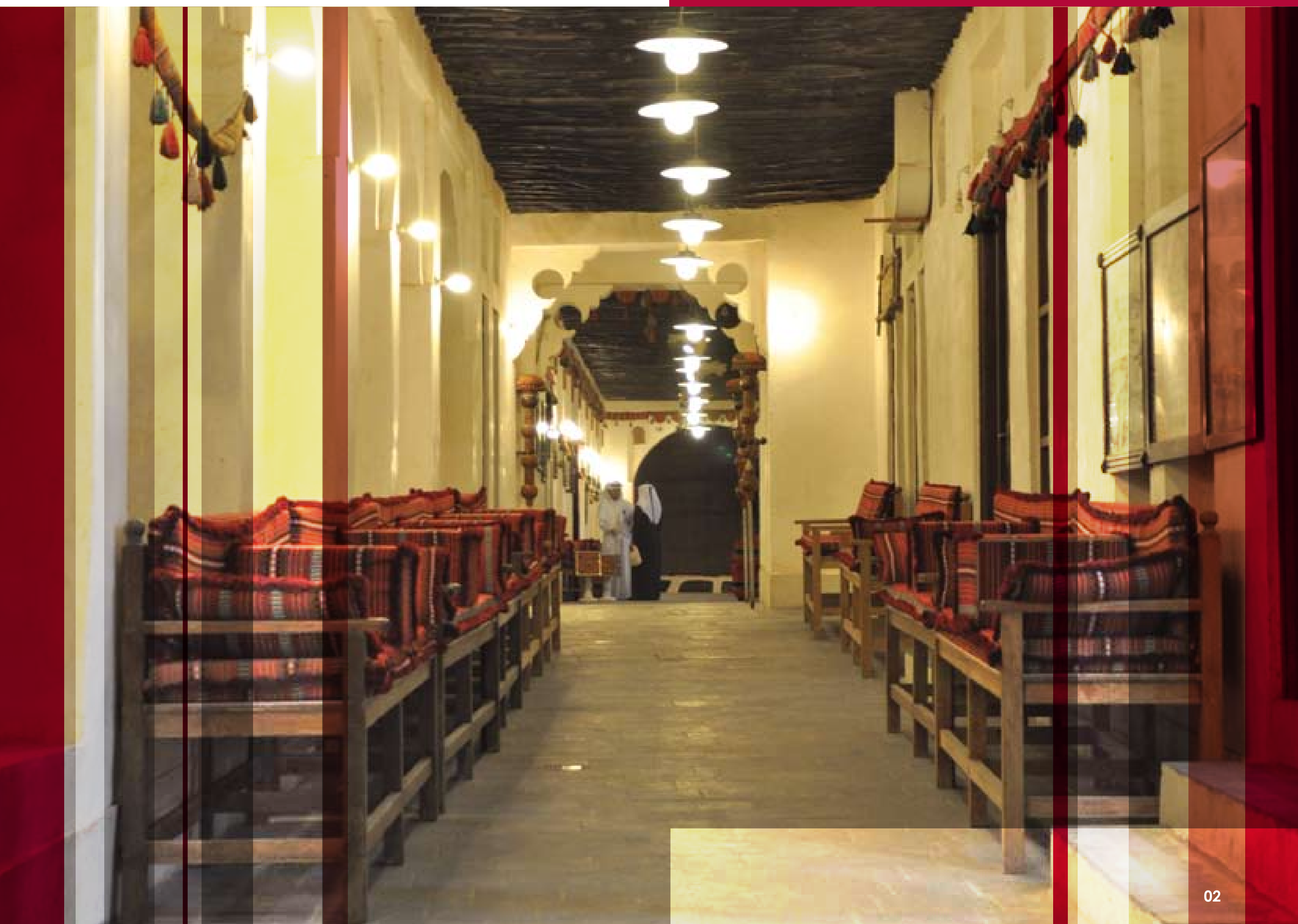
Introduction

About the Qatar Financial Centre **Regulatory Authority**

The QFC Regulatory Authority (The "Regulatory Authority") is the independent regulatory body of the Qatar Financial Centre ("QFC") established to regulate firms conducting financial services in or from the QFC.

With a broad range of regulatory powers to authorise, supervise and, when necessary, execute enforcement actions, the Regulatory Authority regulates firms using a principles-based approach to deliver supervision based on international standards. The rules and regulations of the Regulatory Authority are modelled closely on the financial regulations used in other major financial centres.

The Regulatory Authority is a corporate body owned and funded by the State of Qatar and reporting directly to Qatar's Council of Ministers, which appoints its Board.



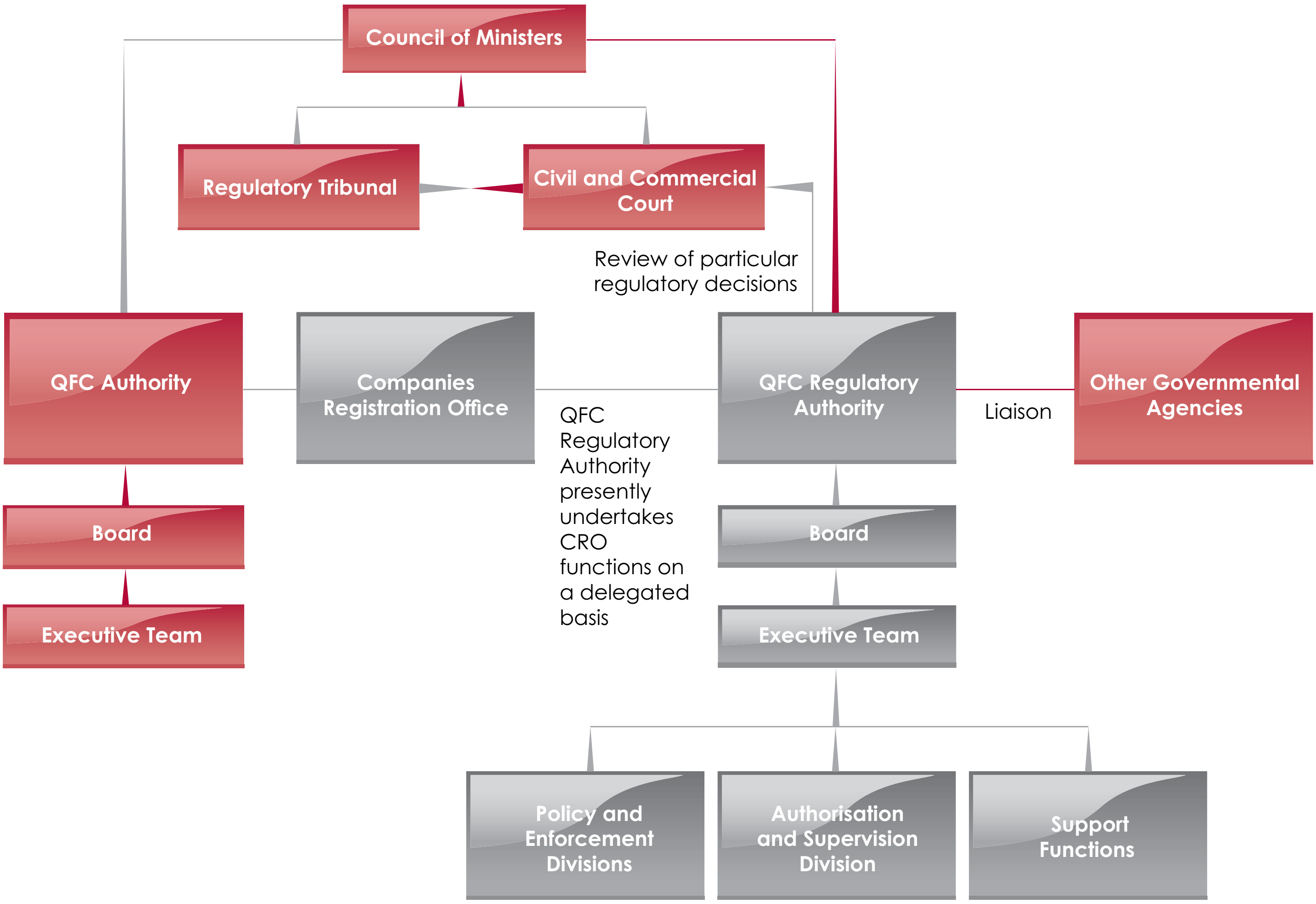
The Qatar Financial Centre **Regulatory Authority**: **Fact Sheet**

History	The Qatar Financial Centre Regulatory Authority was established by article 8 of Law No. (7) of 2005 of the State of Qatar. The 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 QFC Regulatory Authority Board • The Regulatory Authority Board reports directly to the Council of Ministers • The Regulatory Authority 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 2009 = 111 64 Firms providing regulated activities 47 Firms providing non-regulated activities
Authorised Individuals	Total authorised individuals as at 31 December 2009 = 521
Divisions and Departments	• Authorisation and Supervision • Policy and Enforcement • General Counsel • Information Technology • Human Resources • Corporate Communications • Finance, Company Registration Office ("CRO") and Operations • Internal Audit

About the QFC

In early 2005 the Government of Qatar established the QFC. New legislation was introduced enabling the QFC to create an internationally recognisable, best-in-class business and legal infrastructure run by a commercial authority and an independent regulatory body; the QFC Authority and the Regulatory Authority, respectively.

The QFC Structure



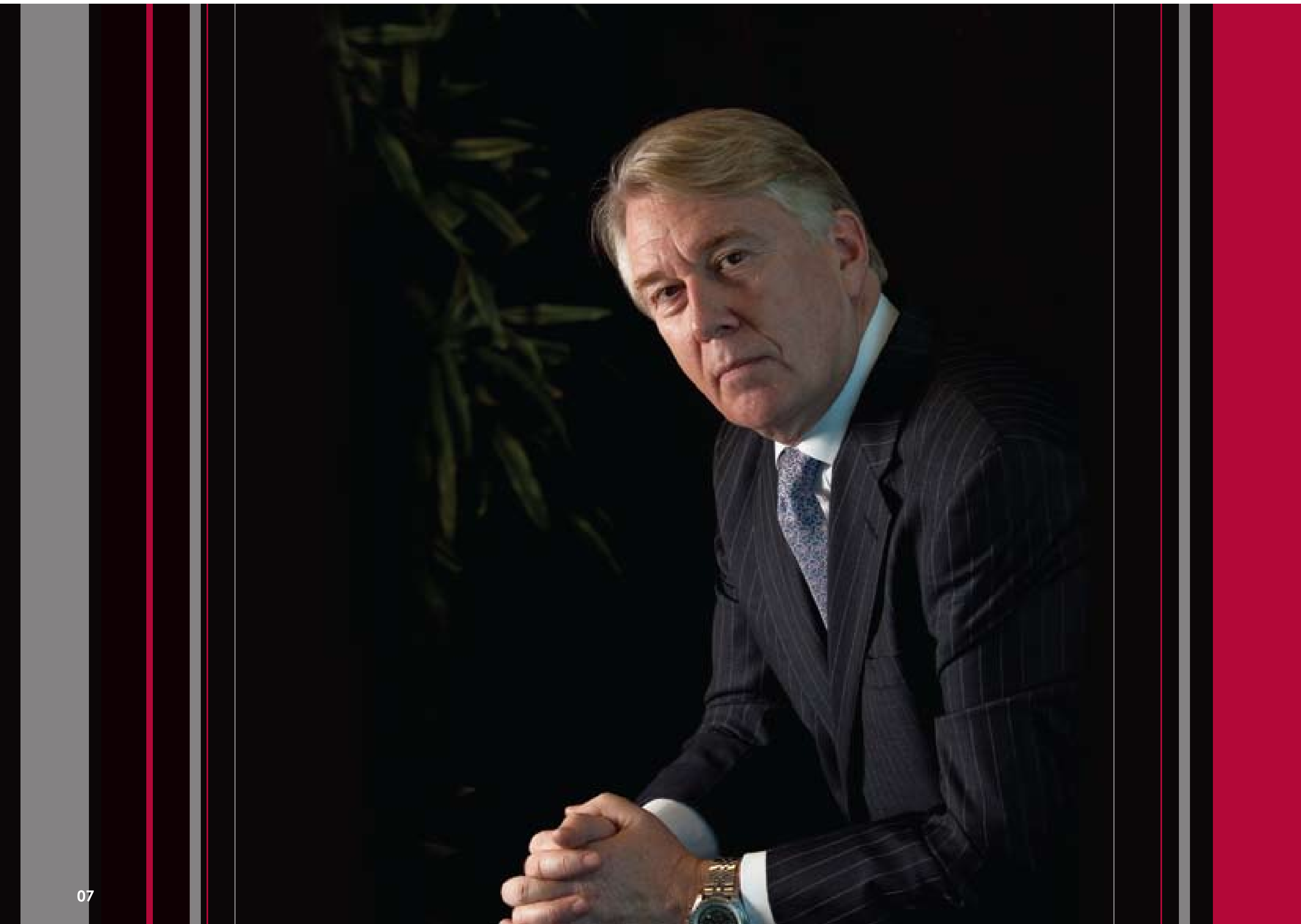
Chairman's Statement

This report is intended to offer a review of the Regulatory Authority's activities during 2009, but as the report is usually written in the first quarter of the following year, it also provides a useful opportunity to look at new directions that the Authority is expecting to pursue, and explain its agenda for the year ahead. That is the practice we have followed in previous years, and I am pleased to observe that the Regulatory Authority has generally been on the mark when it has come to predictions relating to its own expected behaviour. I am also pleased I have not been given to making predictions about the behaviour of others, as 2009 has shown that very few have been able to foretell the events that have unfolded.

The Economy of Qatar in 2009

Let me start by offering some reflections on how the year passed in Qatar. As in 2008, we found the Qatar economy to be relatively insulated from the worst effects of the financial crisis, and from the broader economic crisis that has beset so many countries. As I noted in my report last year, Qatari institutions had little or no exposure to the toxic assets that had caused losses for so many other institutions around the globe. Events in 2009 did not alter that conclusion, and as the year unfolded we saw an increasing confidence amongst Qatar based institutions and something approaching a resumption of the expansionist enthusiasms that we had seen prior to the economic crisis. For QFC firms, that manifested itself as a greater focus on building their businesses in Qatar and the region, less distraction attributable to difficult circumstances occurring in home jurisdictions, and most pleasingly, stronger year-end financial results for most of the firms we regulate. Both the types of business and the volume of business appeared to increase through the last two quarters of 2009 in particular.

In the broader Qatar economy, the interventions undertaken by the Government towards the end of 2008 and the first half of 2009 had a positive effect, with domestic banks having their underperforming equity and property portfolios bought out, and with the promise of Government funding for their capital accounts. Those banks were in a much better position to proceed through the year with



some semblance of normality. There continued to be signs of liquidity constraints, and interest rates for the Qatari Riyal were still commanding a significant premium over the comparable rates in the US dollar market, although this trend started to reverse towards the year end. As in most other jurisdictions, banks and others took a closer look at the quality of the business on their books, and greater restraint

"the Regulatory Authority has generally been on the mark when it has come to predictions relating to its own expected behaviour"

was evident in lending and funding activities; a useful sign that lessons emerging from the financial crisis were being learnt.

Regulatory Business in 2009

In the context of the QFC, we had expected the year to be one of relatively flat levels of regulatory business (in terms of new applicants or expansion in the business of those already authorised). As it turned out, we finished the year with an increase of 16% in the number of firms that had been licensed or authorised to operate through the QFC. We also saw some pick-up in authorised firms seeking to expand their business. This produced an overall positive end to the year.

As in previous years, the work of the QFC is greatly aided by the strength of the Qatar economy, and while 2009 was a year of modest growth, with a final annual GDP gain of between 9 – 10%, it is expected that it will be something more like "business as usual" in 2010 and 2011, with rates predicted to be around 16% and then over 20% in each of the next two years respectively. That clearly sends a message to financial services firms and others regarding the attractiveness of the economy and the opportunities that arise from operating in or from Qatar. We continue to be generally satisfied with the quality of business that is seeking to establish in the country, and have noted in particular the increasing enthusiasm in the insurance sector.

The Strategy for 2010

This aligns rather fortunately with a new strategy that is being developed by the QFC Authority (the marketing and development arm of the QFC). The QFC Authority has determined it will pursue three areas for growth; the development of a re-insurance market, the establishment of a captive insurance business environment, and the growth of asset management as a key part of the QFC offering. This appears to be a commonsense set of strategies, given that we in the Regulatory Authority have seen increasing interest in these areas. By comparison, and not surprisingly, interest in investment banking and private equity has diminished.

As I have noted, we had seen a slow but steady increase in business being undertaken by authorised firms in the QFC in the first years of our operation, and as a consequence of that a slow increase in regulatory activity. With firms now maturing, the demand upon our supervision resources has increased and we are expecting that to lead to higher supervisory workloads in 2010, and inevitably, to a range of related activities including processing of new regulated individuals, increase in capital, increased requests for waiver and rule modifications, and inevitably an increase in rule enforcement actions. I must also note that there is already evidence of the need on the part of some authorised firms, particularly those with a limited trading history, or those unfamiliar with international regulatory standards, to improve their compliance efforts and put adequate resources into meeting Regulatory Authority requirements. A failure to address these needs properly and promptly will inevitably lead to our having to place restrictions on businesses that do not comply, or to consider other disciplinary measures.

The Single Integrated Regulator

One key initiative that has been in our minds through the year has been the Government's stated intention of moving to a single integrated regulator. It has been clear to us that the Government remains thoroughly committed to the concept and while Government energies have been diverted by more pressing issues that have arisen because of the economic crisis, there is a strong expectation that 2010 will see the move to a single regulator take place. The Government has reaffirmed its commitment to embracing a "high standards" regime and ensuring that Qatar enjoys full regulatory coverage in all financial services areas, which is particularly important as the domestic marketplace continues to expand.

The Regulatory Authority remains fully committed to the concept of an independent, world class regulator for Qatar, and we expect to play a

critical role in seeing this concept into reality. We undertook a significant amount of work on this project in 2007 and early 2008 and it will be very satisfying to see value extracted from those efforts. We do recognise however that some of the assumptions about regulation that were made in 2007 became the subject of global debate in 2008, and there were signs that that would lead to substantial change in 2009. It is in the nature of regulation that reform rarely happens quickly, and so it has been in the major jurisdictions. Neither the UK, Europe, nor the US seems to have fastened upon a common new regulatory formula, and while that may be for any number of reasons, it undoubtedly highlights the difficulty of achieving coherent reform in financial services regulation.

We are very fortunate in Qatar to be starting from a relatively uncomplicated position, with only three primary regulators, and some licensing responsibilities with one Ministry. This should allow the transition to a single regulator to be achieved with less difficulty than would arise in more established jurisdictions, and given the evident Government commitment to reform, we are confident this will put Qatar in a strong position to lead regulatory reform, and will provide a strong base for growth in financial services in the region. I have made this observation before but it bears repeating: in a country the size of Qatar, with limited resources, and with a strong and growing economy, the case for an independent, unified regulator is hard to deny.

The Board and Executive

Given the developments in the financial services sector in 2009, we sought to adjust our organisation to match the way the market was evolving. Accordingly we took a conscious decision to hold back on increasing our staff numbers during 2009, and only to replace staff where there was a compelling business need to do so. That reflected conservatism on the part of both the management and the Board of the Regulatory Authority; we had no desire to have more staff employed than our regulatory objectives required, and equally, before making any significant hiring decisions, we wanted to ensure that we had a better understanding of what the future might hold. That approach produced a modest reduction in headcount during 2009, but it also created room for us to plan on expansion in 2010, and to do so with a much clearer idea of where we would need additional resources.

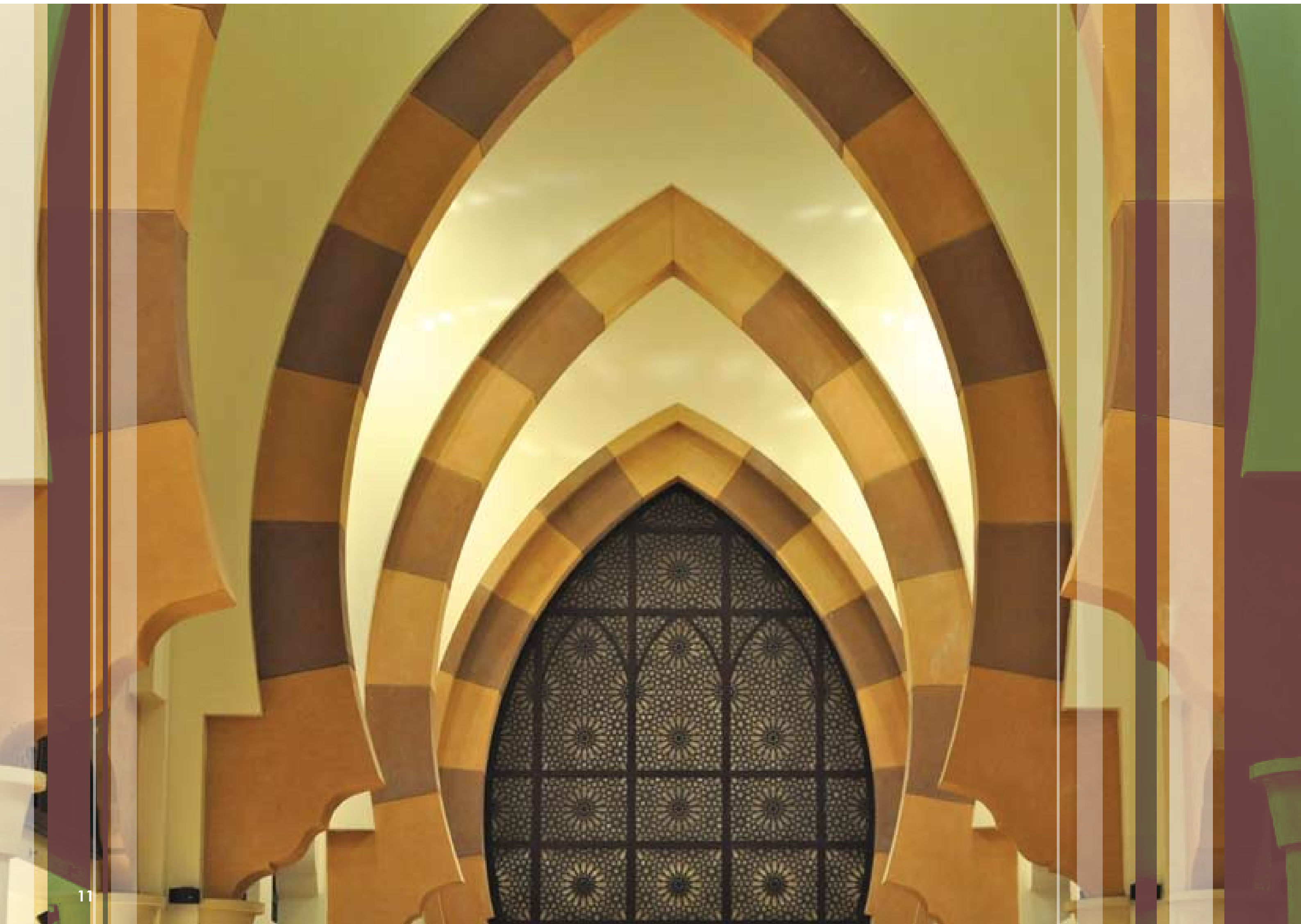
"Qatari institutions had little or no exposure to the toxic assets that had caused losses for so many other institutions around the globe"

"Strong predicted GDP growth sends a message to financial services firms and others regarding the attractiveness of the economy and the opportunities that arise from operating in or from Qatar"

As can be imagined from my earlier comments, areas in which we will be seeking to expand staffing in 2010 include insurance and asset management, and we are currently in the market for seasoned regulators with experience in those disciplines. We have also recognised the importance of enhancing our risk capability, and of increasing the depth of our resources in respect of banking supervision and prudential regulation. Again, we will be seeking to take on staff with greater experience in those areas. And finally, we have been aware that while our own resources in the area of anti-money laundering have been adequate and robust, demand from other regulators in the State has meant that those resources have been stretched, and we will be recruiting additional experienced staff to assist the Financial Intelligence Unit and our fellow regulators both in the Qatar Central Bank and in the Qatar Financial Markets Authority. I am pleased to note that there has been a general recognition of the value of cooperation in respect of anti-money laundering and combating the financing of terrorism, and I am equally pleased to note that we have been able to devote some of our very experienced and enthusiastic staff to assist in the State's efforts at reform in this area. We have also been able to gain agreement on the value of creating a common platform for dealing with these matters, leading in due course, we hope, to a shared rulebook and possibly to a shared pool of experienced staff. This is a significant advance in terms of intra-jurisdictional cooperation and much welcomed by us.

It is also important to note that throughout this period of turmoil we have been served by the extraordinary depth of experience and wisdom of our Regulatory Authority Board. It is hard to think of any other regulator that is able to tap into so many collective years of experience and from such a wide range of perspectives and markets. This has been of enormous value in making sense of global events and in unravelling the complexities of various market and corporate failures. We are very fortunate to be able to demand so much time and energy from our Board and our regulatory efforts are that much the better for having the benefit of their oversight. I should also note the vital role the Board members play in ensuring the independence of the regulator. That need for independence is recognised by all international regulatory standard setting bodies, and is crucial to our ability to function fairly and effectively, and without fear of interference. Our Board is an important guardian of that principle, and that is a key factor behind our ability to pursue our regulatory objectives.

We have also had the good fortune to have had some very strong regulators within the Executive of the Authority, though in the nature of our organisation, which has a heavy reliance on expertise from overseas, it is also inevitable that we will find those colleagues being drawn back to their home countries or taking up other challenges in their careers. So it has been in 2009. However, for every departure there is the opportunity for a new arrival and we were very fortunate to be able to welcome Michael Ryan as a new Managing Director for the Regulatory Authority and as Deputy Chief Executive Officer ("CEO"). His extensive experience in law, compliance, and financial services in general, latterly in a leadership role in Merrill Lynch, means we have added valuably to our overall experience. I am also pleased to report progress in our efforts to encourage Qataris into careers with the Regulatory Authority. Our Graduate Fellowship Training Programme, targeting new Qatari graduates, is entering its fourth year of operation and we have been pleased to see continuing interest in this scheme, and to have taken onto our permanent staff those emerging from the Programme. In 2010 we expect to expand our efforts to attract more Qatari employees, although we do recognise that the best method of widening our appeal as an employer probably lies in there being progress with the single regulator. That will produce certainty over the future of regulation in Qatar, open up new opportunities and increase the range of roles available.



Finally, it will be evident from the cover to this report that we have undertaken some change in respect of the Regulatory Authority logo and image. As we are now into our fifth year of operation, it is probably not surprising that we have sought to examine whether our brand needs "refreshing", and it was determined that indeed it would be useful to look again at how we present ourselves in print and other media. In particular we have been concerned that there has been some confusion regarding the various entities within the QFC, and it has not always been clear to those outside the QFC as to 'who' is administering 'what'.

While not in any way wishing to part with our QFC connection – it is after all the basis for our authority and existence – we did want to emphasise what it is we do, hence the new logo's emphasis on the **Regulatory Authority**.

We have also taken this opportunity to develop an Arabic logo and brand, with the awareness that we are finding ourselves increasingly speaking to an Arabic language audience, as the business of QFC firms expands into the domestic marketplace. Indeed we now find that a new and major demand on us is the production of Arabic language material and we are both welcoming of and delighted by this development. The QFC, and the work of the Regulatory Authority in particular, is not remote from the business of the State of Qatar – our purpose has always been to enhance the potential for growth in Qatar and to serve its people and industries by delivering high quality regulation and ensuring financial services business can be conducted with confidence. We very much look forward to continuing with that mandate in 2010, and hope that we will be able to do so in the context of a new single regulator before the year is out.

Phillip Thorpe
Chairman and Chief Executive Officer

"Our Graduate Fellowship Training Programme, targeting new Qatari graduates, is entering its fourth year of operation"

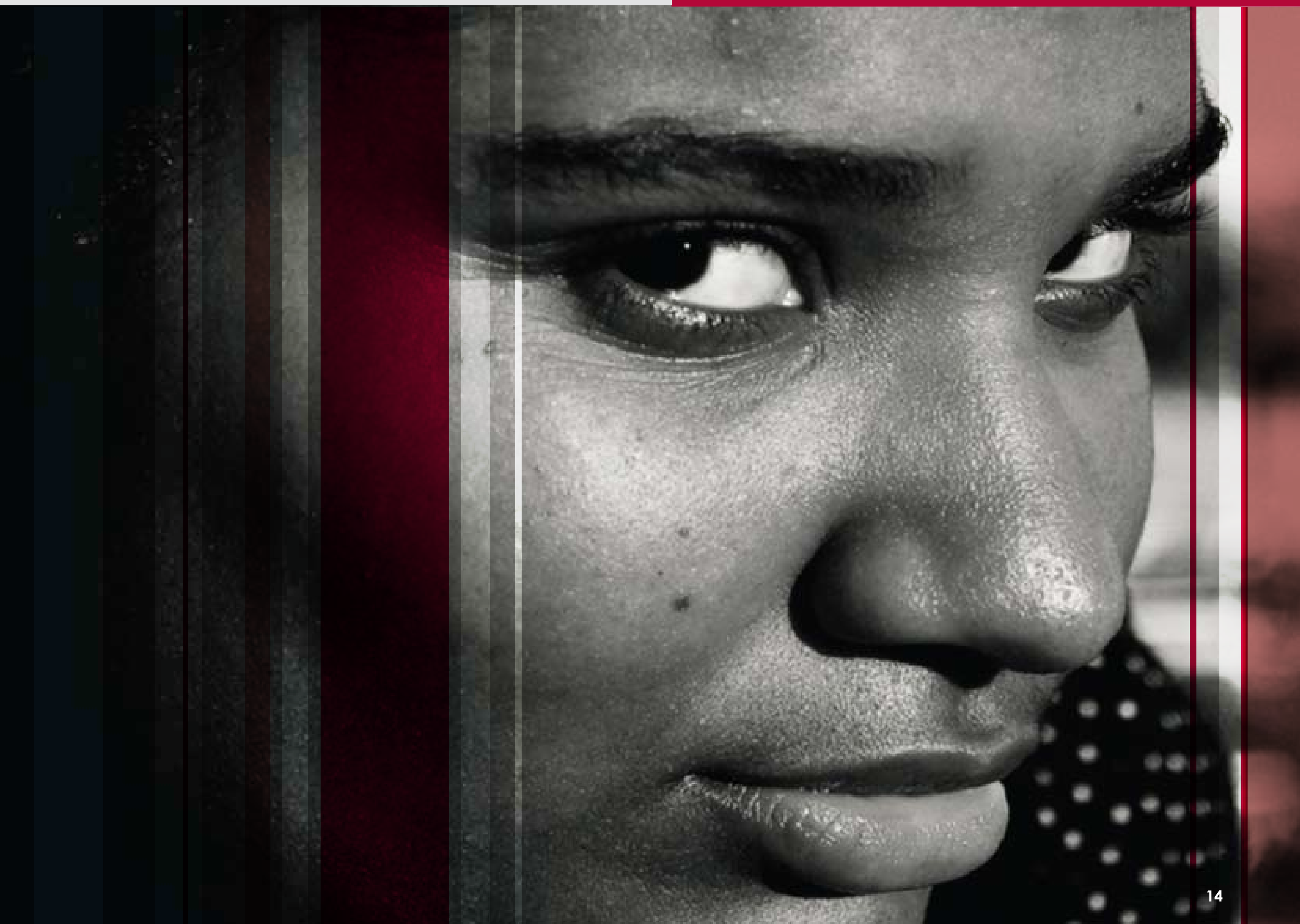
Board of Directors

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, Tan Sri Andrew Sheng P.S.M., Mr Brian Quinn, Mr Robert O'Sullivan and Mr Jean-Francois Lepetit were appointed by the Council of Ministers in March 2006 and reappointed in March 2009 for a further three-year term. 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 2009 with three meetings being held in Doha and one in London. The Board considered a number of quarterly and annual standing items including reviewing quarterly Financial reports, the 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, regulatory policies and initiatives, the analysis of the impact on QFC firms from the global financial crisis, a brand refreshment exercise for the QFC Regulatory Authority, and the development of a Training and Competence regime for QFC authorised firms.

"The biographies of the Board demonstrate a wide range of experience and achievement that allow the Board to discharge its statutory responsibilities and duties."

Board Evaluation

In line with best practice, the Board was involved in a self-assessment evaluation exercise during 2009 aimed at reviewing Board practice and process to improve efficiency and effectiveness; to consider the effectiveness of the Board's decision making processes; and to recognise the Board's outputs and achievements. Board members completed a detailed questionnaire and provided comments on a range of topics. The evaluation was designed to ensure that the Board is satisfied with the information and support that it receives in delivering on its mandate, with various themes emerging from the exercise forming the basis of an action plan which the Board has approved and is currently being implemented.



Board of Directors

Board Member Biographies

Mr Phillip Thorpe

Phillip Thorpe has held the position of Chairman and CEO of the QFC Regulatory Authority 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 QFC Regulatory Authority Chairman and CEO.

Mr Jean-Francois Lepetit

As a banker, Jean-Francois 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 the Comité des Etablissements de Crédit et des Enterprises d'Investissement ("CECEI"). Mr Lepetit 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 Marché Financiers ("AMF"), Paris.

"In line with best practice, the Board was involved in a self-assessment evaluation exercise during 2009"

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 International Monetary Fund ("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.

Tan Sri Andrew Sheng P.S.M.

His Majesty the King of Malaysia has conferred the award of Panglima Setia Mahkota (P.S.M.) to Andrew Sheng, which carries the title 'Tan Sri' on the occasion of the birthday of the King on 5 June 2010.

Tan Sri 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.

Governance Developments and Committee Activity in 2009/10:

Good governance is critical for all organisations. For regulators, this is true both in terms of what we expect from the businesses we oversee, and equally in the way we conduct our own affairs.

Our corporate governance framework is continuously assessed to ensure that it meets the requirements of the organisation, positions the Regulatory Authority to realise efficiently and effectively its key objectives, and enables the Regulatory Authority to achieve its ambitions to be a best in class regulator.

As part of our ongoing review of our processes and internal reporting structures – aimed at ensuring our compliance with international standards of best practice – 2009 saw the introduction of a new Risk Management framework and the enhancement of our Internal Audit Function. focussed on improving our ability to both identify organisational risks and also address these risks in a timely fashion.

Report of the Audit and Risk Committee

The Audit and Risk Committee's ("ARC's") principal areas of focus are the monitoring and oversight of:

- Financial reporting controls and financial statements
- Policies, procedures and internal controls
- Compliance with legal and other requirements
- The Internal Audit Function as well as the external auditing firm
- Risk management framework
- Business Continuity and Disaster Recovery Plans

The Committee's members are:
- Mr Robert O'Sullivan, Chairman
- Mr Brian Quinn

The ARC met on four occasions during 2009, supplemented by exchanges of information between meetings. The meetings provided senior management with the opportunity to update the ARC and take guidance from the Committee on critical issues. All matters of significance discussed at ARC meetings are summarised by the Chairman of the Committee and shared with the Board of Directors, and minutes of the ARC meetings are provided to the main Board for information.

The Regulatory Authority continued to strengthen its control environment during 2009 and introduced a new risk management system across the organisation which aims to integrate standardised reporting and provide a database of 'real-time' enterprise wide risk management information. The Internal Audit Function and Risk Management framework provide assurance that enhancement opportunities are identified and that steps are taken to address any issues that arise. 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.

Report of the Nominations and Remuneration Committee

The Nominations and Remunerations Committee's ("NRC's") principal areas of focus include the consideration and delivery of recommendations on:

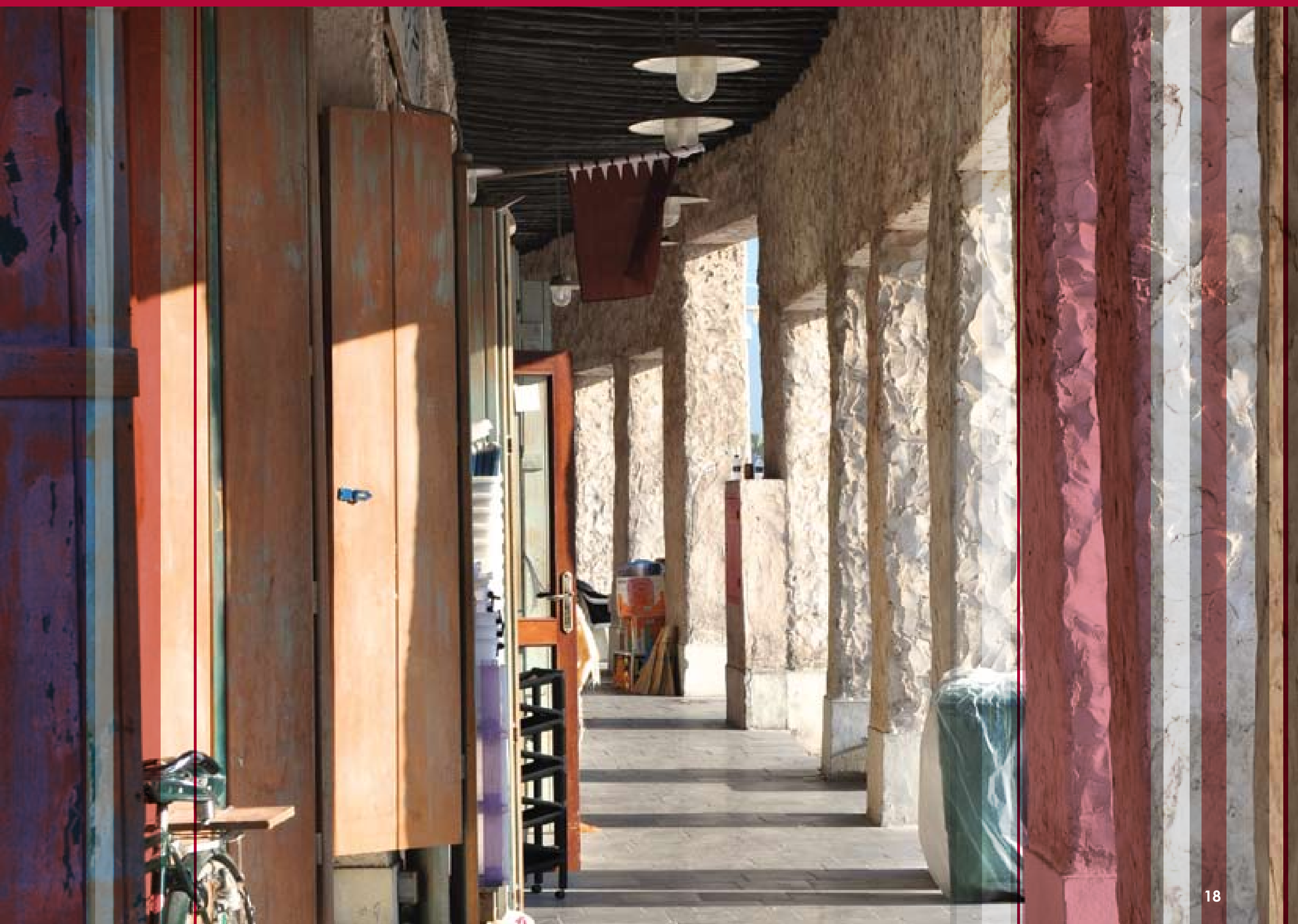
- Prospective Board appointees and Board succession planning
- Board Members' remuneration and benefits and other terms of appointment, which are provided to the Council of Ministers
- Board policy in relation to all aspects of executive remuneration (other than remuneration of the Board Members)

The Committee's members are:

Mr Jean-Francois Lepetit, Chairman
Tan Sri Andrew Sheng
Mr Phillip Thorpe

The NRC met on four occasions during the year and was attended, by invitation, by the Head of Human Resources. Two of these meetings were held as part of the main Board meetings. An agenda is established for each meeting and detailed papers are furnished to the NRC. At each meeting in 2009, the NRC received a general update on Human Resources matters including recruitment, employee turnover and the results of employee engagement surveys. Highlights of the NRC's recommendations to the Board included matters relating to the 2009 review of employee compensation; and the implementation of a newly designed remuneration system.

"Our corporate governance framework is continuously assessed"



Authorisation and Supervision Division

This has been a year of evolution and change for the Regulatory Authority's authorisation and supervision functions, resulting most evidently in the combining of these two previously distinct divisions into one.

Bringing together the authorisation and supervision work offered the opportunity to better organise our workflows and so capitalise on efficiencies.

While the overall responsibilities of the respective divisions have been retained in substance, the focused use of expertise and resources within the integrated division allows the Regulatory Authority to more effectively meet its regulatory objectives.

The division's primary mission is to ensure that firms establishing in the QFC meet the highest standards of fitness and propriety and that, once authorised, operate in a safe and sound manner in accordance with international best practices and comply with all relevant laws, regulations and rules.

The highest level of activity was experienced from the insurance sector where a further seven firms were authorised to conduct regulated activities, which included the QFC's first pure reinsurer.

For the Regulatory Authority, the response to the crisis can be characterised as going 'back to basics'. The division's supervisory activities over this period placed increased emphasis on assessing institutions' risk management practices post the financial crisis that began in mid- 2007. The areas that came under particular scrutiny for QFC firms included firm-wide risk identification, senior management oversight, liquidity risk management and capital adequacy.

Connecting Internationally

Best practice regulation requires constant and effective communication – be that with supervised firms, fellow regulators or Government, both internationally and locally. In addition to building a best in class supervisory environment, the Regulatory

Institutions within the QFC span a variety of industry sectors including banking, asset management, and insurance. During 2009, the portfolio of authorised institutions continued to grow, both in size and complexity. At year end 2009, the division was responsible for overseeing the activities of 64 authorised firms in addition to the review and assessment for Anti Money Laundering ("AML") Rules compliance of 23 licensed professional firms. Total assets for QFC banking institutions reached $2.6 billion while assets under management amounted to $2.9 billion. Substantial increases were realised in deposits, loans and off-balance sheet activities.

Responding to the Financial Crisis

Qatar has done better than most countries in the world in weathering the economic storm of the last two years. The result is that Qatar is likely to become all the more attractive for businesses looking to set up in the Middle East.

Despite the positive performance of the Qatari economy, it was not unexpected that there would be a slowdown in the number of applications received compared with the significant growth achieved in previous years. Nonetheless, a total of 16 new firms were licensed or authorised in 2009 with the bulk of the activity occurring in the second half of the year, as institutions began to re-focus on their respective business plans.

"It has been a challenging year for the world's financial industry, but the QFC and the State of Qatar are uniquely well positioned for continued growth and development in 2010. QFC firms will play an increasingly important role in that development through the delivery of an expanded range of financial services to the businesses, residents and citizens of Qatar"

Michael Lesser
Managing Director, Authorisation and Supervision Division

Authority will continue to foster and expand its relationships with other foreign central banks and financial supervisors around the globe, enabling it to coordinate its actions with those of other countries when managing international financial crises and supervising institutions with a substantial international presence.

In this connection, the division stepped up its efforts to monitor and reinforce the various international supervisory standards promulgated by the Basel Committee, the International Association of Insurance Supervisors, and the International Organization of Securities Commissions. It undertook a range of activities via inter-divisional and industry-wide projects and initiatives to improve various aspects of its supervisory process, including oversight of individual institutions and promotion of overall financial stability.

Developing Training for Firms

In addition to conducting routine on-site risk assessments and high level visits of the authorised institutions, last year saw the introduction of a new innovation designed to actively engage with the Regulatory Authority's key stakeholders – the businesses it oversees. Authorisation and supervision staff - working alongside colleagues from the policy team - conducted a number of 'Town Hall' meetings for authorised firms operating in the QFC.

These meetings were held with the multiple objectives of promoting an open dialogue with firms and complementing the on-going discussions that supervisory staff have with firms as part of the formal supervisory regime. These sessions proved constructive and valuable as input from firms helped formulate mportant rule changes and so helped shape the year's regulatory agenda.

A number of these sessions focussed on the introduction of training and examinations for employees of authorised firms. The introduction of a 'Training and Competence' regime is intended to ensure the requisite level of understanding of the professional standards needed to conduct their business.

The first module to be introduced (in 2010) is initially being offered to individuals to take up on a voluntary basis. However, it is expected that in due course, the successful completion of this training and examination will become a mandatory requirement for certain key functions in authorised firms, once a revised training and competence regime is introduced.

Inclusivity

In keeping with its commitment to maintaining a world-class supervisory environment, the division continued to build a strong supervisory team with diverse international backgrounds. Staffing in the division is comprised of individuals with extensive regulatory and industry experience gained through various jurisdictions in the world including Qatar, the US, UK, Australia, Bermuda and other Gulf Cooperation Council ("GCC") states. Additionally, division staff continued to build and expand on their valuable breadth of international expertise and skill sets by obtaining professional certifications in various disciplines, including Islamic finance, anti-money laundering, and insurance.

The division will continue to work towards making the QFC regulatory regime 'best in class' to attract high quality institutions that will help build a strong economy and a sustainable financial services workforce for Qatar. To this end, the division will maintain and improve an effective and responsive regulatory framework, while also working closely with regulated firms to help them increase their skills and knowledge to meet the desired regulatory standards.

"Working for the QFC Regulatory Authority has been an enriching experience for me, both in professional terms and also in the opportunities it has provided culturally and academically.

Having joined under Regulatory Authority's Graduate Fellowship Programme, last year I was promoted to manager in the authorisation and supervision division. Following this, I've had the wonderful opportunity to live and study in Malaysia for a year, where I'm currently on a scholarship to the International Centre for Education in Islamic Finance ("INCEIF").

This is a hugely valuable experience and one that I'll be able to bring back to Qatar in terms of knowledge and expertise."

Adel Al Meer
Manager QFC Regulatory Authority

Policy and Enforcement Division

The legal, policy and enforcement functions of the Regulatory Authority were reorganised during 2009 to increase focus and capability and to align better with our strategic priorities and developments at the QFC. The organisational change will improve efficiency, focus and, ultimately, mean effectiveness in delivering our regulatory objectives.

The financial sector development and policy division ("FSDP") and the legal and regulatory compliance division ("LRC") are now reorganised as the policy, enforcement teams and the General Counsel's office.

The policy team will focus on the development and application of the QFC's legal and regulatory regime and also take responsibility for international cooperation though the establishment of formal and informal relationships with international regulators, a function which previously resided in the LRC. As international regulators begin to focus increasingly on the need for greater cooperation, the Regulatory Authority will continue its efforts to improve its international cooperation and this will be an important focus of our policy division going forward. Memoranda of Understanding ("MOUs") were signed in 2009 with international agencies such as the Commission Bancaire of France and the Capital Markets Authority of the Sultanate of Oman. These added to the growing list of leading international regulators with which the Regulatory Authority has signed Memoranda of Understanding including BAFIN, the China Banking Regulatory Commission; the Swiss Federal Banking Commission; the Jersey Financial Services Commission; Office of the Comptroller of the Currency (USA); The Financial Supervisory Commission of the Republic of Korea and the Isle of Man Financial Supervision Commission. Expanding our co-operative relationships will continue to be a focus during 2010 for the policy division.

The policy team will also play a critical role in positioning the Regulatory Authority to facilitate the future development of the QFC and its contribution to Qatar. In this connection, the policy team plays a critical role in monitoring international developments in regulation and ensuring that the QFC regime remains best in class, ensuring new policies and initiatives anticipate and respond to the changing financial and regulatory landscape. This means a focus on assessing new opportunities, initiatives and risks from a regulatory and legislative perspective, and the focussed assessment of market, regulatory

"While still an undergraduate at Qatar University, I spent a month last summer on the QFC Regulatory Authority's training programme. Upon graduating, the Regulatory Authority was my number one choice of employer as working here is an excellent opportunity to gain international experience in a highly professional environment.

In my role as case officer in the policy and enforcement division I've already worked on everything from rulebooks to researching international legal jurisdictions and sukuks – in fact I'm currently being trained in aspects of Islamic Finance. The opportunities here are fantastic."

Noora Al Buzwair
Case Officer, policy and enforcement division

and legal developments in Qatar, the region and beyond. Its efforts to broaden and deepen the Regulatory Authority's international relationships will add perspective, intelligence and depth to its policy and rulemaking initiatives in this regard.

In line with efforts of the Regulatory Authority's other divisions, the policy team will be making determined efforts to support the QFC Authority's strategy for 2010 and beyond. Specifically, this means an immediate focus on further development of the Regulatory Authority's asset management regime and the development of captive and reinsurance regimes for the QFC. More broadly, the policy team will also be building on the training and competency regime work from 2009 and finalising a revised Anti Money Laundering and Combating the Financing of Terrorism ("AML/CFT") Rulebook.

Regulation in Action

As the QFC continues to expand and the level of activity increases among firms, the Regulatory Authority has created a dedicated and focussed enforcement division. The enforcement team is responsible for all enforcement functions of the QFC Regulatory Authority and it has statutory powers to investigate and discipline firms and individuals that breach the QFC's regulatory requirements and rules. In performing its enforcement role, the enforcement division focuses on reducing the risk of non-compliance. The team is staffed with dedicated personnel with significant expertise in local and international enforcement matters. When the QFC Regulatory Authority detects conduct that may threaten the integrity of the QFC, the enforcement team acts swiftly and decisively to stop the conduct, minimise the effects and prevent similar conduct recurring. In so doing, the division is governed by the principals of fairness, openness and accountability though these will not constrain the determined nature of its intervention and accountably in the exercising of its enforcement powers in a determined fashion.

During the summer of 2009, the Regulatory Authority initiated its first serious enforcement action, which resulted (later in 2010) in the withdrawal of Al Mal Bank LLC's authorisation and a substantial financial penalty.

Al Mal was authorised by the Regulatory Authority in December 2008, as an Islamic Financial Institution, to conduct Islamic Financial Business, but following the identification of serious and systemic

"The regulatory trend since the international financial crisis took hold has been to go back to basics: the composition, independence and skills of Boards, capital, solvency, and international cooperation. But in taking this approach we must bear in mind that future financial sector development should not necessarily mean more rules, but rather effective, clear and targeted rules backed up with focused supervision and credible enforcement."

Michael Ryan
Deputy Chief Executive Officer/ Managing Director Policy & Enforcement

contraventions of QFC rules and regulations was, along with the withdrawal of authorisation, made to pay US$506,000 plus the cost of the investigation.

The enforcement division was previously part of LRC but will now be separate from the Regulatory Authority's legal function.

The legal function is critical to the successful functioning of the Regulatory Authority and the effectiveness of its delivery against its regulatory mandate. As part of our reorganisation, the strategic legal function of the Regulatory Authority will be separate from enforcement and will focus on the delivery of the necessary expert and independent legal advice required by the Regulatory Authority in the discharge of its duties. The Regulatory Authority's legal function is enhanced with the appointment of Derek Oliver as General Counsel. In this function, Mr Oliver will play a central role in ensuring that the Regulatory Authority benefits from the strategic guidance to fulfil its regulatory objectives. The guidance from the General Counsel's office will be critical to the effective function of the objectives of policy and enforcement, but also the essential to effective support of our authorisation and supervision mandates.

Developing Capacity

Adding greater depth, expertise and capability to the functioning of divisions is essential to the continued success of the Regulatory Authority. In this regard, the Policy Division will lead our efforts to broaden and deepen our external relationships, liaising with market participants, fellow regulators and partner bodies. This effort will enable us to share the expertise we have as regulators and our market knowledge, to maintain close contact with the issues being addressed by our peer regulators, and to leverage the experience and expertise of other partners as we build our capability going forward.

Since the inception of the Regulatory Authority in 2005, the Regulatory Authority has worked to build the foundations for a sound, world-class regulatory regime for Qatar. In so doing, the Regulatory Authority executive has accrued years of experience and considerable expertise in applying international best-practice in Qatar and to the activities of our firms operating in the region. Growth in the Regulatory Authority's experience and resources has helped us build collaborative relationships with international and local regulatory bodies to increase our effectiveness as regulators.

This effort also extends to effective engagement with authorised firms to ensure compliance obligations are fully understood and to provide effective and targeted guidance. In collaboration with the authorisation and supervision division, a series of town hall meetings were held for authorised firms which were designed to engage with industry and receive feedback on the Regulatory Authority's preliminary proposals. It is envisaged, based in part on the feedback received, the regime will include two components: Firstly, professional standard technical training and examinations in insurance and securities that will include testing in relation to QFC regulatory obligations and requirements; and secondly, a continuing professional development programme for approved individuals. We see these fora as an important component in ensuring that the obligations of authorised firms are properly understood and that the industry is positioned to meet the high standards of compliance that we expect.

In addition, the Policy and Enforcement divisions continues to grow their already multi-disciplinary teams by taking advantage of Qatar's local talent – with two Qatari graduates joining the policy team as part of the Graduate Fellowship Programme.

2009 Divisional Highlights

General policy for financial penalties and public censures
Prepared and published the Financial Services (Financial Penalties and Public Censures) Policy 2009 under the QFC Financial Services Regulations.

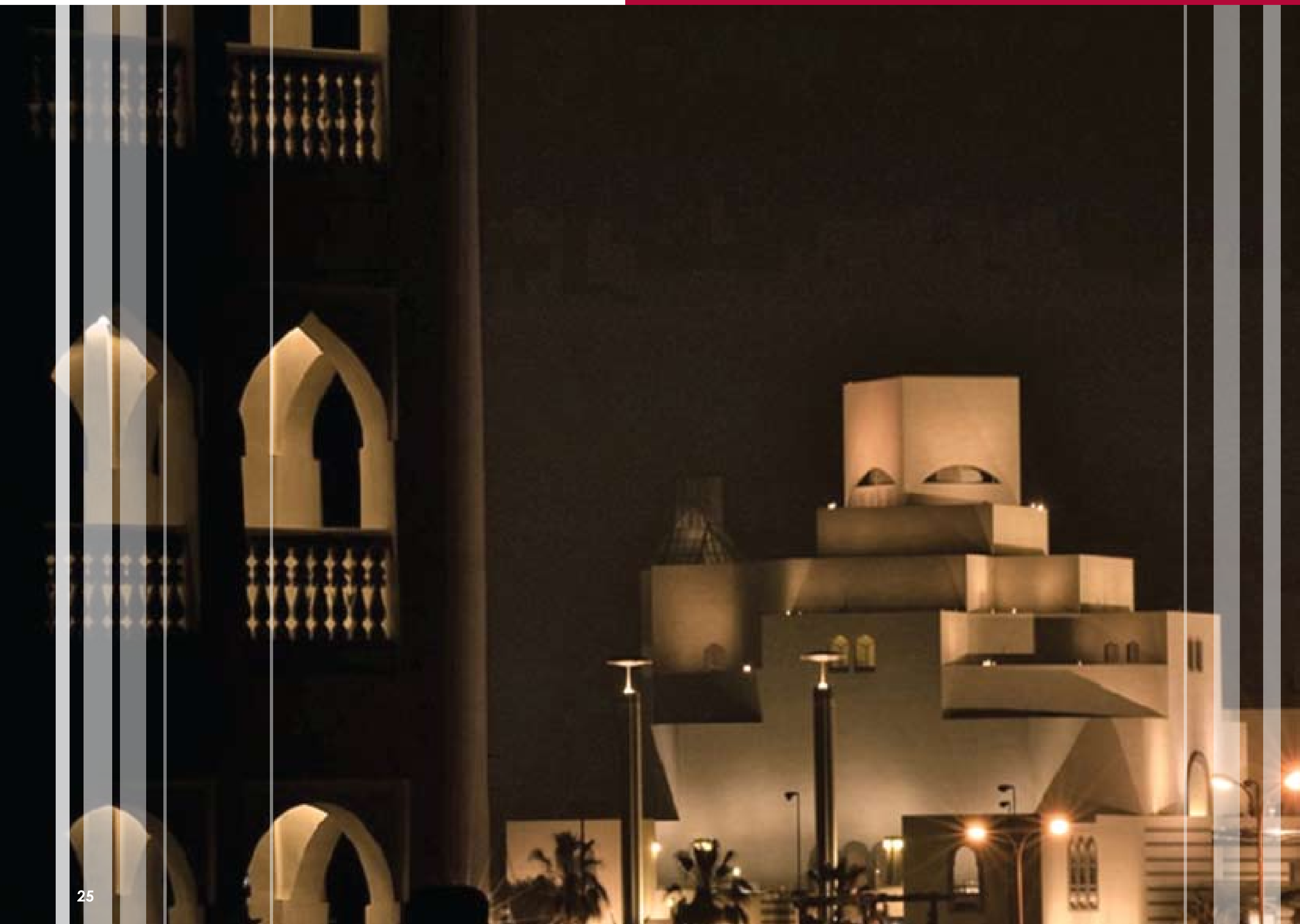
Revised Training and Competence (T&C) regulatory regime
Published a preliminary paper setting out the QFC Regulatory Authority's initial thinking on the development of a revised T&C regime.

The Regulatory Authority Rules
Two sets of proposals for amendments of the Regulatory Authority rules were released for public consultation during 2009, with the amendments enacted during the year.

- Parent company guaranties in relation to concentration risk limits
- Miscellaneous Amendments Rules 2009

Consultation papers:
- Draft Anti-Money Laundering and Combating Terrorist Financing Rulebook 2010
- Miscellaneous Amendments to Rules

Waivers and Modifications
- Dealt with 46 applications for waivers and modifications to QFC Regulatory Authority rules



Case Study on Anti Money Laundering

The Regulatory Authority is committed to preventing firms from participating in activities that may constitute or facilitate financial crime, to reducing the opportunities for financial crime more generally, and to protecting the reputation of the QFC.

Working across its divisions, a dedicated financial crime and Anti-Money Laundering ("AML") unit, comprised of professionally certified specialists with extensive international and regional experience, was set up to provide technical support and expertise to authorised institutions and other divisions within the Regulatory Authority.

In keeping with the Regulatory Authority's AML objectives, it undertook a number of initiatives over the period to engage with licensed and authorised institutions and monitored international, regional and local developments to enhance the Regulatory Authority's rulebook in order to maintain optimum compliance with best practice.

Beginning with the Regulatory Authority's own requirements, it made careful revisions to the AML Rulebook in consultation with its peer regulators and the international bodies charged with ensuring market and regulatory compliance standards.

The release for consultation, in December 2009, of the revised and restructured AML/CFT Rulebook proved a further basis on which to deepen our relationships with fellow Qatari institutions and ensure that Qatar continues to enjoy a reputation as a nation committed to international standards in this field.

The Regulatory Authority went further, delivering three AML and 'Financial Crime Prevention' training seminars to licensees and authorised companies. These sessions were bolstered by the publication of an AML/CFT Self Assessment Questionnaire, providing a practical method for firms to focus on the key AML/CFT requirements and to enable them to gauge if they are effectively discharging their legal and regulatory obligations in order to prevent money laundering, terrorist financing and fraud.

Engaging Locally

Beyond the support offered to licensed and authorised firms in the QFC, the Regulatory Authority cooperated practically with those Qatari Government agencies involved in international compliance, not least through the secondment of one of the Regulatory Authority's AML staff to the Financial Intelligence Unit.

The Regulatory Authority was pleased to work with the National Anti-Money Laundering Committee ("NAMLC"), the body charged with bringing together a wide range of Government departments and agencies to ensure the compliance of the wider Qatari financial services market with best international practice.

This important work will continue through 2010, but the relationships established across Qatar's anti money laundering infrastructure and financial sector organisations as a result of the Regulatory Authority's work for NAMLC has established the precedent which will allow the Regulatory Authority and its partners to continue to achieve knowledge transfer in pursuit of a common goal – that is, to be regarded as a nation applying the highest standards of good governance in this area.

"The National Anti Money Laundering Committee (NAMLC) welcomes the recent addition (under the new AML/CFT Law) of the QFC Regulatory Authority as an official member of NAMLC. We look forward to the Regulatory Authority's continued contribution to NAMLC's efforts to ensuring that Qatar retains its reputation as a country hostile to money laundering or the financing of terrorism."

HE Sheikh Fahad Faisal Al-Thani
Deputy Governor of Qatar Central Bank
and the President of NAMLC

Human Resources Department

Configuring for Success

In what has been a dynamic year, the human resources department has provided a robust but flexible support structure to help the Regulatory Authority achieve its objectives.

In so doing, the watchwords have been sustainability and stability on the one hand, coupled with efficiency and flexibility on the other.

Adopting a conservative approach to managing its resources, the headcount of the Regulatory Authority decreased slightly in 2009. However, as a result of a continued focus on efficiency and flexibility as well as the strategic application of talent, a high quality of work was maintained and the 2010 staffing plan projects an increase in headcount to meet the growing business demand over the coming 12 months.

Deepening Our Performance Culture

Central to the strategy informing the work of the department during the year has been the Towers Perrin (now Towers Watson) review of remuneration to ensure that the Regulatory Authority is in line with its peers. This review, conducted in the light of international guidelines on post-crisis reward principles as well as progressive regional trends, marked a concerted shift towards a more sustainable structure in which the rewarding of skills is the principal focus.

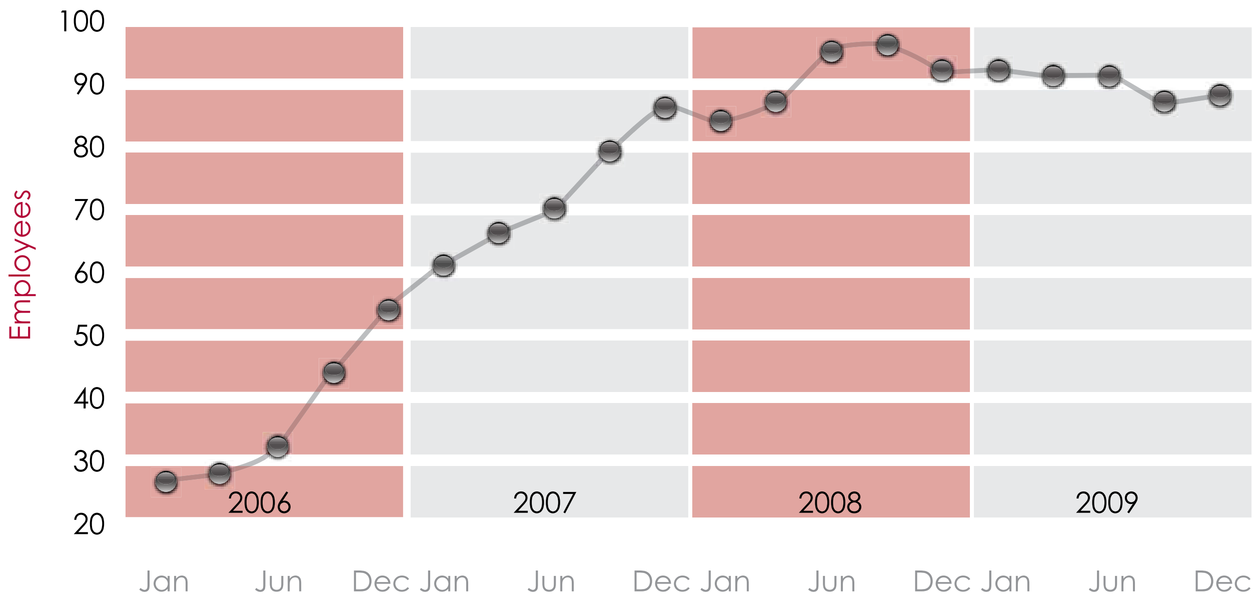
In itself, this marks a key commitment from the Regulatory Authority to demonstrate both strong fiscal responsibility as a Government agency but also recognises a longer term commitment to providing a sustainable and motivating employment environment for generations to come. Meanwhile, a new performance management system was also implemented to further drive and reward exceptional performance. Internal activities targeted towards continuous improvement also continued in 2009 with activities such as 'Employee Engagement Surveys'.

Opportunities to Develop

The Regulatory Authority continued to invest in its employees as evidenced by the achievement of the overall employee development goal of providing each employee with structured development opportunities of an average of 40 – 60 hours per year.

In line with the Qatar National Vision 2030, efforts continued towards providing quality employment and development opportunities to Qatari national candidates and employees. Significant training, internships and opportunity for promotion were also provided to Qatari employees.

Quarterly Headcount



The Regulatory Authority's 2009 Visiting Lecture Series at the College of Law, Qatar University

Beginning in December 2008, the Regulatory Authority began a series of visiting lectures targeting both business and College of Law students and faculty covering a range of topics from International and European law to the structures of the QFC and the Regulatory Authority.

The sessions demonstrate the Regulatory Authority's commitment to sharing its knowledge, but also marked a new and significant way in which the Regulatory Authority could engage with other organisations and broaden the understanding of - and interest in - our work.

Key among the lectures were those on: Islamic finance, insurance, risk and EU Intellectual property law.

In June, Regulatory Authority staff gave a presentation to Professors at the College of Law giving an overview of the QFC and the work of its many component entities.

Demonstrating that such dialogue and learning is a mutual process, the Regulatory Authority hosted a lecture by Qatar University professor Dr Mohamed Salem Abou El Farag during which he presented to the staff the subject of the Qatari Commercial Law.

Corporate Communications Department

The Evolution of the Regulatory Authority's Brand

Just as change has characterised the internal organisation of the Regulatory Authority, so too has it coloured the nature of the Regulatory Authority's relationship with its immediate Qatar Financial Centre partners and its wider standing as a Qatari Government agency.

With almost half a decade past since the Regulatory Authority's establishment, this financial year saw the opportunity to refresh its brand with the key objective of stressing its independent identity as a regulatory body. Such a shift is necessarily an evolutionary process, aimed at better highlighting what it is the organisation does and so emphasizing its value to the wider Qatari business community.

Internal Communications

Modern corporate communications extends beyond the world of media management to include disciplines such as direct stakeholder engagement and reputation management. Looking within organisations, communications teams have also led the charge for greater, and better, internal dialogue and knowledge management within an organisation.

This is particularly important in an environment such as that at the Regulatory Authority, where information is of the utmost importance and frequently the utmost complexity. Working closely with both the human resources department and also utilising the corporate communications department's own expertise in intranet design and management, the department has implemented various workflow and process automations over the course of the reporting period.

The department also led the '2nd Internal Communications Audit 2009' evaluating all the internal communication practices and protocols and making key recommendations to the management of the Regulatory Authority based on its findings.

Of the 56 recommendations to have come from the exercise, core elements of the Regulatory Authority's approach to its communications have been informed by what was an inclusive and democratic process, including the brand refreshment, the better definition of the Regulatory Authority's organisational Vision, Mission and Values and the better cascading of knowledge to all staff.

“information is of the utmost importance and frequently the utmost complexity”

Information Technology ("IT") Department

The IT department is responsible for providing efficient and reliable services for telecommunications, networks, systems and business applications. In support of what is becoming an ever more efficient organisation, the department's mission simply put, is to provide the right information to the right people at the right time.

As with the broader Regulatory Authority, the department's outlook is progressive and so it has embraced the corporate world's recent move to enterprise knowledge management, with departments' key objective being the provision of a reliable, scalable and robust IT infrastructure and the development of an information management framework to support the Regulatory Authority's mission.

Securing our Future

To this end, a major focus for the department over the reporting period was on building the framework for the Regulatory Authority's chosen knowledge management repository: the 'Financial Institutions Regulatory Information System' also known as FIRMS. The department implemented three phases of the FIRMS application for managing master data for firms and individuals and for prudential analysis reporting. Other in-house projects included implementation of an internal risk management system, a human resources management system, and an employee performance management system.

The department's responsibilities are divided between three teams; information management, infrastructure management and desktop support engineering. The information management team is responsible for development and management of enterprise architecture and business applications. The team is assisted by off-shore vendors where necessary, to provide application development support. The infrastructure management team is responsible for the management of the data centre, networks, servers, security, emails, telephony and antivirus.

Projects completed in 2009 include

- Financial Institutions Regulatory Information System ("FIRMS") designed to act as the central repository for the collection, validation and storage of regulatory data on firms, individuals and products.
- Internal Risk Information System
- Record Management and Information Security
- Human Resources and Payroll Management System
- Employee Performance Management System
- Backup System
- IT Security
- Secured Remote Access Gateway

The IT infrastructure remained very stable and reliable during the year. All systems were maintained to the highest standards with various third party health checks being conducted on the networks, e-mail and centralised security systems. Extensive external network penetration testing was conducted by an independent third party.

The department made significant progress in strengthening the disaster recovery site for IT systems. All the IT systems including emails, intranet, business applications and shared folders are replicated in near real-time to the disaster recovery site. The IT department has implemented a remote access gateway to access the primary and the disaster recovery site from any location via a secured internet connection.

Finance, Company Registration Office ("CRO") and Operations

Ensuring Value for Money

One of the core themes of this annual report is how the organisation has better configured itself for both efficiency and cost effectiveness. Nowhere are these twin virtues more evident than in the work of the finance department last year.

Central to the success and smooth running of the department has been the ever-closer working relationship it has enjoyed with the Ministry of Finance over the course of 2009. This has provided the bedrock upon which the department has been able to develop its key relationships with external suppliers.

Working from a position of financial certainty has, over the course of the reporting period, allowed the finance department to negotiate markedly improved contractual relationships with suppliers, based on a solid reputation as a dependable business partner.

Working Smarter

Efficiencies have been sought – and found – not only through tighter contractual negotiation, but also through the increased automation of finance processes from purchasing to asset depreciation modelling. Over the year, many of the financial reconciliation processes have been brought on-line (through the work of the in-house IT team) and this has allowed the finance department to grow its remit at no extra cost to the organisation.

The two functions to have come under the ambit of the finance department are operations and the company registrations office ("CRO"). The latter of these used to be responsible solely for the incorporation of companies or the registration of branches or individuals. Now the small team is able to deal with more complex work including liquidation.

Meanwhile, the operations element of the widened departmental structure has been able to move beyond co-ordinating the Regulatory Authority front-desk and support services to take on commercial lease renewals and major fit-out programmes. Again, the more efficient purchasing, reconciliation and streamlining of assets have more offset the financial cost of growth in bringing operations and CRO under the wing of finance.

Appendix 1

Details of licences granted as at 31 December 2009

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)
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
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 (Authorisation withdrawn)
00101	Mitsui Sumitomo Insurance Company (Europe) Ltd	Branch	17/12/2008	Regulated Activities and Professional Services
00102	Dewey & LeBoeuf LLP	Branch	13/01/2009	Professional Services (Legal)
00103	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	Branch	15/01/2009	Regulated Activities
00104	Moore Stephens Services (Qatar) LLC	QFC LLC	05/04/2009	Professional Services (Accounting)
00105	Bloomberg L.P. – QFC Branch	Branch	30/04/2009	Professional Services (Multimedia)
00106	Nomura International plc, Qatar Financial Centre Branch	Branch	28/05/2009	Regulated Activities
00107	QInvest Partners LLC	QFC LLC	14/06/2009	Operation and administration of trusts and similar arrangements
00108	White & Case LLP	Branch	09/07/2009	Professional Services (Legal)
00109	International Financial Services (Qatar) LLC	QFC LLC	28/07/2009	Regulated Activities
00110	Allianz Takaful – QFC Branch	Branch	09/08/2009	Regulated Activities
00111	Pacific Star Doha LLC	QFC LLC	27/08/2009	Regulated Activities
00112	T'azur Company b.s.c.(c) – QFC Branch	Branch	17/09/2009	Regulated Activities
00113	Guardian Wealth Management Qatar LLC	QFC LLC	20/10/2009	Regulated Activities
00114	SEIB Insurance and Reinsurance Company LLC	QFC LLC	21/10/2009	Regulated Activities
00115	Chedid and Associates Qatar LLC	QFC LLC	21/10/2009	Regulated Activities
00116	Rothschild (Qatar) LLC	QFC LLC	18/11/2009	Regulated Activities
00117	Q-Re LLC	QFC LLC	06/12/2009	Regulated Activities

Appendix 2

Details of Approved Individuals and Controlled Functions as at 31st December 2009

Approved Individuals	2005	2006	2007	2008	2009	As at Dec 2009
Applications	16	86	244	215	**160**	**721**
Withdrawals (voluntary)	1	6	36	67	**99**	**209**
Withdrawals (involuntary)	0	0	0	0	**0**	**0**
Total Number of Approved Individuals	**15**	**80**	**208**	**148**	**61**	**512**

Controlled Functions carried out by Approved Individuals	2005		2006		2007		2008		2009	
Applications*	**A**	**W**	**A**	**W**	**A**	**W**	**A**	**W**	**A**	**W**
Senior Executive Function	3	0	16	1	31	10	67	19	89	32
Executive Governance Function	3	0	23	1	18	6	36	4	48	18
Non-Executive Governance Function	1	0	6	1	36	2	48	6	68	11
Compliance Oversight Function	3	0	16	3	31	10	64	15	85	31
Risk Management function	0	0	2	0	7	2	7	1	17	6
Finance Function	2	0	14	0	30	9	59	15	81	31
Money Laundering Reporting Function	3	1	18	3	31	10	73	19	93	33
Senior Management Function	1	0	5	0	18	5	27	3	44	11
Customer Facing Function	6	0	43	0	160	21	239	41	446	132
Actuarial Function	0	0	0	0	4	1	1	0	8	3
Total number of Approved/Withdrawn	**22**	**1**	**143**	**9**	**366**	**76**	**621**	**123**	**979**	**308**
Total number of Controlled Functions carried out by Approved Individuals	**21**		**134**		**290**		**498**		**671**	

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

Auditors' 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 "QFC Regulatory Authority" or the "Regulatory Authority") which comprise the statement of financial position as at 31 December 2009 and the statement of activities, cash flow statement and statement of changes in equity 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 the Regulatory Authority as of 31 December 2009 and its financial performance 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 the 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 the Regulatory Authority.

Ernst & Young

Ernst & Young

Date: March 8 2010
Doha

STATEMENT OF ACTIVITIES
Year ended 31 December 2009

	Notes	2009 US$'000	2008 US$'000
Income			
Fee income		**2,041**	1,794
Interest income		**1,002**	502
Total Income		**3,043**	2,296
Expenses			
Salaries and other related costs		**(20,887)**	(20,549)
General and administration expenses	4	**(4,341)**	(3,788)
Board expenses		**(650)**	(734)
Total Expenses		**(25,878)**	(25,071)
Excess Of Expenses Over Income For The Year Before Appropriations		**(22,835)**	(22,775)
Appropriations from the Government	2	**30,447**	20,644
Surplus/(Deficit) For The Year		**7,612**	(2,131)

STATEMENT OF FINANCIAL POSITION
At 31 December 2009

	Notes	2009 US$'000	2008 US$'000
ASSETS			
Non-current assets			
Furniture and equipment	5	**874**	1,433
Current assets			
Accounts receivable and prepayments	6	**2,386**	2,759
Cash and bank balances		**23,938**	13,561
		26,324	16,320
TOTAL ASSETS		**27,198**	17,753
EQUITY AND LIABILITIES			
Equity			
General reserve	2&7	**12,651**	-
Retained surplus	2&7	**7,612**	12,651
Total equity		**20,263**	12,651
Current liabilities			
Accounts payable and accruals	8	**6,935**	5,102
TOTAL EQUITY AND LIABILITIES		**27,198**	17,753

Phillip Thorpe
Chairman & Chief Executive Officer

Jay Perumal
Chief Financial Officer

STATEMENT OF CHANGES IN EQUITY
Year ended 31 December 2009

	Notes	General reserve	Retained surplus	Total
		US$'000	US$'000	US$'000
Balance at 1 January 2008		-	14,782	14,782
Deficit for the year 2008		-	(2,131)	(2,131)
Balance at 31 December 2008		-	12,651	12,651
Surplus for the year 2009		-	7,612	7,612
Transfer of surplus to general reserve	7	12,651	(12,651)	-
Balance at 31 December 2009		**12,651**	**7,612**	**20,263**

STATEMENT OF CASH FLOWS
Year ended 31 December 2009

	Notes	2009 US$'000	2008 US$'000
OPERATING ACTIVITIES			
Excess of expenses over income for the year		**(22,835)**	(22,775)
Adjustments for:			
Depreciation	5	**828**	731
Loss on sale of furniture and equipment		**1**	-
Interest income		**(1,002)**	(502)
Operating loss before working capital changes:		**(23,008)**	(22,546)
Accounts receivable and prepayments		**794**	4,673
Accounts payable and accruals		**1,847**	2,674
Cash used in operations		**(20,367)**	(15,199)
Interest received		**581**	408
Net cash used in operating activities		**(19,786)**	(14,791)
INVESTING ACTIVITIES			
Purchase of furniture and equipment	5	**(285)**	(672)
Proceeds from sale of furniture and equipment		**1**	-
Net cash flow used in investing activities		**(284)**	(672)
FINANCING ACTIVITIES			
Appropriations from the Government	2	**30,447**	20,644
Cash flow from financing activities		**30,447**	20,644
INCREASE (DECREASE) IN CASH AND BANK BALANCES		**10,377**	5,181
Cash and bank balances at the beginning of the year		**13,561**	8,380
CASH AND BANK BALANCES AT END OF THE YEAR		**23,938**	13,561

Notes to the Financial Statements
At 31 December 2009

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 (the Regulatory Authority), QFC Civil and Commercial Court (Court) and QFC Regulatory Tribunal (Tribunal). The QFCA, the Regulatory Authority, the Court and Tribunal are independent of each other and from the Government of Qatar.

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

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

The financial statements of the Regulatory Authority for the year ended 31 December 2009 were authorised by the Board of Directors on 8 March 2010.

2 ECONOMIC DEPENDENCY

The Regulatory Authority 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 Regulatory Authority with appropriations amounting to US$ 30,446,657 (2008: US$ 20,643,707). As the Regulatory Authority has the right to retain any excess appropriations provided by the Government, these appropriations have been treated as part of retained surplus.

In order to segregate and maintain the required level of retained surplus to meet a minimum of six months recurring costs of the Regulatory Authority, the Board of Directors approved the transfer of the retained surplus at 31 December 2008 amounting to US$ 12,650,852 to the general reserve account.

Any subsequent transfer of amounts to and from the general reserve would require the approval of the Board.

3 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation

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

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

3.2 Changes in accounting policies and disclosures

The accounting policies and methods of computation adopted in the preparation of the annual financial statements are consistent with those of the previous financial period, except as noted below:

IFRS 7 Financial Instruments: Disclosures effective 1 January 2009
IAS 1 Presentation of Financial Statements effective 1 January 2009
Improvements to IFRSs (May 2008)

When the adoption of the standard or interpretation is deemed to have an impact on the financial statements or performance of the Regulatory Authority, its impact is described below:

IFRS 7 Financial Instruments: Disclosures

The amended standard requires additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by source of inputs using a three level fair value hierarchy, by class, for all financial instruments recognised at fair value. In addition, a reconciliation between the beginning and ending balance for level 3 fair value measurements is now required, as well as significant transfers between levels in the fair value hierarchy. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and assets used for liquidity management. The fair value measurement disclosures are presented in Note 13. The liquidity risk disclosures are not significantly impacted by the amendments and are presented in Note 12.

IAS 1 Presentation of Financial Statements (Revised)

The revised Standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented as a single line. In addition, the Standard introduces the statement of comprehensive income: it presents all items of recognised income and expenses, either in one single statement, or in two linked statements. The Regulatory Authority has elected to present a single statement (Statement of Activity). Adoption of the revised standard did not have any effect on the financial performance or position of the Regulatory Authority.

Improvements to IFRSs (May 2008)

In May 2008, the IASB issued omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wordings. There are separate transitional provisions for each standard. The adoption of these amendments resulted in rewording or corrections to accounting policies but did not have any impact on the financial position or performance of the Regulatory Authority.

- IAS 16 Property, Plant and Equipment: Replaces the term “net selling price” with “fair value less costs to sell”. The Regulatory Authority amended its accounting policy accordingly, which did not result in any change in the financial position.

Other amendments resulting from Improvements to IFRSs to the following standards did not have any impact on the accounting policies, financial position or performance of the Regulatory Authority:

- IAS 7 *Statement of Cash Flows*
- IAS 8 *Accounting Policies, Change in Accounting Estimates and Error*
- IAS 18 *Revenue*
- IAS 36 *Impairment of Assets*
- IAS 39 *Financial Instruments: Recognition and Measurement*
- IAS 40 *Investment Properties*
- IFRIC 9 *Reassessment of Embedded Derivatives*
- IFRIC 16 *Hedge of a Net Investment in a Foreign Operation*

IFRS 8 Operating Segment Information is not applicable to the Regulatory Authority.

IASB Standards and Interpretations issued but not adopted

The following relevant IASB standards have been issued but are not yet mandatory, and have not been early adopted by the Regulatory Authority:

IFRS 9 Financial Instruments part 1: Classification and measurement
IFRIC 17 Distribution of non-cash assets to owners
IFRIC 18 Transfers of assets from customers

3 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Changes in accounting policies and disclosures (continued)

THE REGULATORY AUTHORITY IS CONSIDERING THE IMPLICATIONS OF THE ABOVE STANDARDS, THE IMPACT ON THE REGULATORY AUTHORITY AND THE TIMING OF ITS ADOPTION BY THE REGULATORY AUTHORITY.

3.3 Summary of significant accounting policies

Revenue recognition

Fee income

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

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

Interest income

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

Furniture and equipment

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

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

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

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

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

An item of furniture and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in the statement of activities in the year the asset is derecognised.

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

Impairment and uncollectibility of financial assets

An assessment is made at each statement of financial position 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 Regulatory Authority 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 Regulatory Authority is Qatari Riyals. However, these financial statements have been presented in United States Dollars which is the Regulatory Authority'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 statement of financial position date. All differences are taken to the statement of activities.

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

	2009 US$'000	*2008 US$'000*
Consultancy and professional fees	**1,308**	162
Rent	**1,164**	1,164
Depreciation	**828**	744
Corporate communication expenses	**218**	539
Other expenses	**823**	1,179
	4,341	3,788

Notes to the Financial Statements
At 31 December 2009

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 2009	823	1,124	803	27	56	2,833
Additions	8	219	-	-	58	285
Transfer	-	56		-	(56)	-
Disposals/adjustments	-	(17)	-	-	-	(17)
At 31 December 2009	831	1,382	803	27	58	3,101
Depreciation:						
At 1 January 2009	384	582	407	27	-	1,400
Charge for the year	256	291	281	-	-	828
Relating to disposals	-	(1)	-	-	-	(1)
At 31 December 2009	640	872	688	27	-	2,227
Net carrying amount						
At 31 December 2009	**191**	**510**	**115**	**-**	**58**	**874**

	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

6 ACCOUNTS RECEIVABLE AND PREPAYMENTS

	2009 US$'000	2008 US$'000
Fees receivables	**54**	27
Prepaid expenses	**1,477**	1,426
Government appropriations receivable	**-**	959
Other receivables	**855**	347
	2,386	2,759

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

	Total US$'000	Neither past due nor impaired US$'000	*Past due but not impaired* 31 - 60 days US$'000	61 – 90 days US$'000	91 – 120 day US$'000	121 – 180 day US$'000	>180 days US$'000
2009	**909**	**856**	**23**	**2**	**-**	**17**	**11**
2008	1,333	853	480	-	-	-	-

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

7 EQUITY

General reserve

In order to segregate and maintain the required level of retained surplus to meet a minimum of six months recurring costs of the Regulatory Authority, the Board of Directors approved the transfer of the retained surplus at 31 December 2008 amounting to US$ 12,650,852 to general reserve.

Any subsequent transfer of amounts to and from the general reserve would require the approval of the Board.

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 Regulatory Authority.

8 ACCOUNTS PAYABLE AND ACCRUALS

	2009 US$'000	2008 US$'000
Accrued expenses	**999**	891
Trade payables	**386**	699
Employees' annual gratuity	**379**	424
Due to related parties (Note 11)	**4,000**	1,978
Advances from customers	**1,162**	1,110
Other payables	**9**	-
	6,935	5,102

9 CAPITAL COMMITMENTS

	2009 US$'000	2008 US$'000
Estimated capital expenditure contracted for at the statement of financial position date but not provided for:		
Office equipment	54	56

10 NON-CAPITAL COMMITMENTS

(a) Lease commitments

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

	2009 US$'000	2008 US$'000
Within one year	1,194	3,127
After one year but not more than five years	122	1,298
	1,316	4,425

(b) Other commitments

	2009 US$'000	2008 US$'000
Within one year	370	194
After one year but not more than five years	103	18
	473	212

11 RELATED PARTY DISCLOSURES

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

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

	2009 US$'000	2008 US$'000
Appropriation from the Government (Note 2)	30,447	20,644
Services from QFCA	1,229	1,270

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

	2009 US$'000	2008 US$'000
Services and expenses paid on behalf of related parties	2,742	2,074
Appropriation from Government received on behalf of related parties	4,633	3,562

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

	2009 US$'000	2008 US$'000
Short-term benefits and employees' end of service benefits	4,600	4,516

Amounts due to related party balances
Balances due to related parties included in the statement of financial position are as follows:

	2009 US$'000	2008 US$'000
Qatar Financial Centre Authority	15	15
Qatar Financial Centre Civil and Commercial Court	1,502	704
Qatar Financial Centre Regulatory Tribunal	2,483	1,259
	4,000	1,978

12 FINANCIAL RISK MANAGEMENT

Interest rate risk
The Regulatory Authority 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 Regulatory Authority does not hold any floating rate financial assets and financial liabilities at the statement of financial position date.

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

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

The following table summarises the maturities of the Regulatory Authority's undiscounted financial liabilities at the statement of financial position date, based on contractual payment dates and current market interest rates.

12 FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk (continued)

31 December 2009	***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	**6,935**	**-**	**-**	**-**	**6,935**

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

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$ 105 thousand (2008: US$ 131 thousand) 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.

Fair value hierarchy
As of 31 December 2009, QFCRA did not have any financial instruments recorded at fair value.

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 reporting period end, gross fees receivable were US$ 54 thousand (2008: US$ 27 thousand). Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the statement of activities.