QATAR FINANCIAL CENTRE

REGULATORY AUTHORITY

QFC REGULATORY AUTHORITY
ANNUAL REPORT 2010

Through the passage of time Islamic
art has evolved while keeping true to its
core elements:
unity, balance and order.

Similarly, regulation needs to retain its
core values but also adapt to
changing circumstances.

The Regulatory Authority has been
working since 2005 to create a dynamic
and innovative regime built upon
the best of international good practice
and delivering market confidence in Qatar.

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THE REGULATORY AUTHORITY

The Qatar Financial Centre (QFC) is the financial and business centre established by the Government of Qatar in 2005 to attract international banking, insurance business and other financial services in order to grow and develop the financial services sector in Qatar and the region. The QFC offers domestic and international firms the opportunity to establish a broad range of banking, asset management and insurance businesses under a legal and regulatory regime that meets international best practice.

The Qatar Financial Centre Regulatory Authority (the "Regulatory Authority") is the independent regulator of the QFC, established to authorise and regulate firms and individuals conducting financial services in or from the QFC.

The Regulatory Authority has built a principles-based regulatory regime aligned with widely used common law, embracing transparency, predictability and accountability.

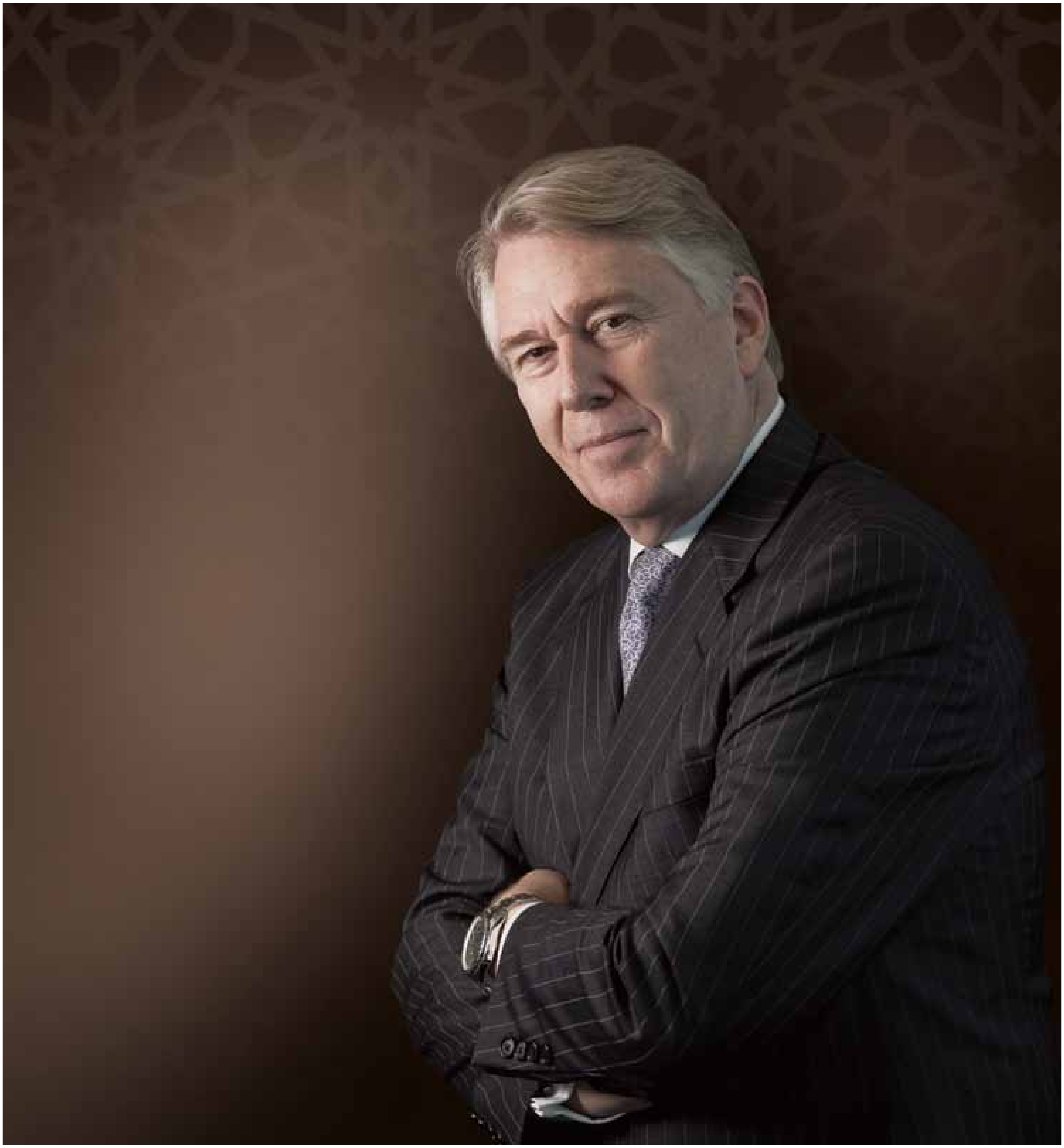
2010 marks the fifth anniversary of the establishment of the Regulatory Authority and all of us who have been associated with the organisation during this period can take pride in our success in building a robust regulatory framework for the QFC. The occasion also provides me with an opportunity to reflect on the Regulatory Authority's achievements over the past five years and on the challenges and opportunities that lie ahead.

Of course, 2010 was also a special year from an entirely different perspective. We were all delighted to learn that the Government of Qatar had successfully competed for the right to host the 2022 FIFA World Cup tournament. This achievement serves to reinforce Qatar's growing significance on the world stage. It also provides further impetus to pursue Qatar's ambitious 'National Vision 2030', which includes amongst many important goals, a determined focus on the need for an expanded financial service sector that is efficient and well regulated. Qatar already provides a highly stable political environment and a strong economic base for its financial sector, and at a time of political and social upheaval in the region, its role as a facilitator of dialogue and a pursuer of peace in the region is of critical importance. With that backdrop, and coupled with the plans for growth outlined in the National Vision, we are certain that Qatar will deliver an exciting environment over the next decade and beyond.

AN EFFECTIVE AND INTEGRATED REGULATORY FRAMEWORK NOW IN PLACE

The QFC has established an effective legal framework and a principles-based regulatory regime aligned with international best practice.

In reflecting on our progress to date, it is important to understand the cornerstones of the regulatory framework that have served us so well. From the start, the Government recognised that it was essential to establish an institutional framework that ensured that the Regulatory Authority had sufficient independence, appropriate resourcing and the powers needed to deliver its mandate. Moreover, the QFC Law of 2005 established a clear legal framework and a system for hearing disputes and appeals. These laid a solid foundation for the successful development of the QFC and the Regulatory Authority.



In the period since our launch in 2005, we have established a principles-based regulatory regime that offers firms, customers and investors a financial services environment in which they can have confidence. We have continually challenged ourselves to deliver a regulatory regime that reflects international best practice and that is appropriate to meet the mandate of the QFC and the requirements of the State of Qatar. The success of the QFC is underscored by the fact that it has attracted more than 100 new businesses to Qatar and it continues to attract the world's leading financial institutions to participate in the Qatar market. As of the 2010 year-end, the Regulatory Authority was regulating 59 financial institutions covering banking, insurance and asset management from a broad range of jurisdictions.

The quality and reputation of our regulatory regime derives from the level of accountability that we demand from the firms and the individuals whose activities we regulate, and that we also demand of ourselves. The Regulatory Authority is committed to ensuring that all authorised firms and approved individuals operating under our regime engage in appropriate market behaviour and comply with our rules and principles. In that regard, we have emphasised the key role that our supervisory and enforcement functions play in the delivery of our mandate. We expect firms and individuals to comply with our rules and when they do not, there must be certainty as to the consequences.

The staff at the Regulatory Authority have been central to the organisation's success. We have taken a two-pronged approach to building our intellectual capital: we have set out to recruit high calibre experts from both the international talent pool and within Qatar. We have also sought to develop a cadre of 'home-grown' talent, by selecting young Qatari graduates and professionals whom we can train and develop as the future regulatory leaders of Qatar.

Taken together, our team brings extensive regulatory and industry experience from international markets and different regulatory regimes, and local knowledge and enthusiasm. We believe that this has uniquely positioned the Regulatory Authority to address the challenges that have arisen in the last five years, and to provide leadership on regulatory issues in Qatar and in the region.

We have also benefited from the guidance and contributions of an exceptionally experienced and talented Board of Directors. From the time of their first appointment by the Council of Ministers in 2006, they have played a vital role in ensuring the independence of the regulator, which is crucial to our ability to function fairly and effectively, and in providing highly efficient oversight of our activities. Their wide range of experience and knowledge has been a great strength in the development of the Regulatory Authority and its regulatory regime, and I wish to express my sincere appreciation for their continued support and guidance. I would also like to offer special thanks to Brian Quinn, who retired from the Board of Directors in March 2011. Brian's counsel and leadership have been invaluable to me personally, to the Board as a whole, and to the Regulatory Authority and its staff, and for that we are extremely grateful.

STRENGTHENED COLLABORATION AND NEW INITIATIVES IN 2010

In 2010, we worked closely with other regulators in Qatar to develop Anti-Money Laundering Laws and supported the QFC Authority's efforts to grow the asset management and insurance sectors.

Our work in 2010 and into the first few months of 2011 has been a busy mix of increasing collaboration on key policy issues with our regulatory counterparts in the State of Qatar and supporting the QFC Authority in its asset management and insurance initiatives.

Of particular note, the Regulatory Authority worked closely with the Qatar Central Bank during the last year on the State of Qatar's new Anti-Money Laundering Law. We were also able to contribute to the work undertaken by the Qatar Financial Markets Authority and other Ministries and Government agencies on this important subject. This work, which was conducted under the auspices of the National Anti-Money Laundering and Combating the Financing of Terrorism Committee (NAMLC), demonstrated Qatar's ability to move in a determined and coordinated manner in addressing this global threat. The Regulatory Authority's contribution stemmed from its work with international standard setters and the in-depth knowledge and expertise of its staff in respect of anti-money laundering issues. We are keen to ensure that this close cooperation and coordination continues in many other areas of mutual interest, such as capital markets development, risk management, supervisory techniques, training and competency, and investor and consumer education – all areas where we have experience and expertise.

As I had noted in the 2009 Annual Report, the Regulatory Authority is actively supporting three initiatives of the QFC Authority (the marketing and development arm of the QFC): growing the asset management industry in Qatar, developing a re-insurance market, and establishing an environment that will be attractive to captive insurance businesses. The formal announcement by the QFC Authority in February 2010 of its new strategic focus was followed by a significant amount of work at the Regulatory Authority throughout the year and into the first quarter of 2011 to review, amend and streamline its regulatory frameworks in these areas.

In respect of asset management, we undertook an extensive review of the existing regime to reflect developments in the international market and the requirements of the State of Qatar. The initiative supports not only the development of the asset management industry in the QFC, but also provides an attractive platform for those firms with a regional focus. The new rules, which became effective on 1 January 2011, involved an expansion and clarification of the types of collective investment schemes allowed in the QFC and a broadening of the potential investor base. At the same time, the Regulatory Authority has strengthened the authorisation and supervision teams to facilitate our dealings with new firms wishing to do business in and from the QFC.

On captive insurance and re-insurance, the Regulatory Authority is putting in place a framework that will increase the risk management options available to companies in Qatar and the region and which supports the QFC Authority's ambition to position the QFC as a regional centre for captive insurers. Proposals for the new framework were consulted on in 2010 and the new rules are expected to come into effect during 2011.

The commencement and expansion of activity in the QFC over the last five years have also, inevitably, led to enforcement activity by the Regulatory Authority to deal with the more serious breaches of its Regulations and Rules. This is both an expected and natural evolutionary step in the development of our regime. The Regulatory Authority concluded its first enforcement actions against two firms in 2010, resulting in the imposition of financial penalties and the withdrawal of authorisations. These actions underscore our commitment to maintaining

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the highest standards of behaviour in the QFC and the level of accountability that we expect from our authorised firms. And of course, consistent with our approach to accountability, we will always conduct our enforcement activity strictly in conformance with the procedures for such actions and publish the outcome where rule breaches are found to have occurred.

To support these various new initiatives and overcome attendant challenges, the Regulatory Authority concentrated its recruitment efforts in 2010 on building its expertise in anti-money laundering, risk management and the insurance and asset management sectors. We also continued to focus on recruiting Qatari nationals to the Regulatory Authority and during 2010, we were pleased to appoint an experienced Qatari expert as Senior Director of Bank Supervision. Our Graduate Fellowship Programme ("GFP") also continued to enjoy success and attracted five Qatari nationals in 2010. We are planning to recruit an additional six Qatari nationals in 2011 to our programme. The successful recruitment reflects the Regulatory Authority's ongoing commitment to attract and develop local expertise at all levels of the organisation.

ONGOING CHALLENGES IN THE INTERNATIONAL REGULATORY ENVIRONMENT

A substantial change in both firm and shareholder attitude towards risk-taking is required if a recurrence of the recent crises is to be prevented.

Despite the fact that the strains and dislocations in the markets and more generally in the global economy subsided to some degree in 2010, financial institutions and financial markets remained vulnerable to unexpected shocks. Regulatory reform continues to be on many national agendas and regulatory bodies around the globe are in a state of self-assessment and change. Despite some reforms already having been made, important risks remain to be effectively addressed. At the international level, the excessive risk-taking fuelled by access to highly leveraged financing opportunities evident in the run up to the recent financial crisis, still needs to be addressed. The financial sectors' propensity then, and most worryingly, re-emerging now, to seek continuous, excessive returns cannot be sustained: returns must be benchmarked against more conservative risk limits.

Financial institutions have a critical role to play in supporting society and national ambitions and those institutions must focus on delivering reasonable returns that are commensurate with a well-understood and prudent risk profile. Maximising short-term profits through the taking on of risk that is not well-understood or controlled cannot continue to be an acceptable business model. Equally, investors and other stakeholders must also realise that banks and other financial institutions cannot sustain returns running at multiples of GDP growth rates, if our banks are to remain stable and dependable elements of our economies.

What impact will this change of approach have on the Regulatory Authority? Firstly, we will continue to actively engage with regulators overseas and domestically to encourage the management of regulated firms and investors in those firms to understand more fully the consequences that follow from demanding higher rewards. Secondly, we will work to review risk tolerances for QFC regulated firms to ensure that they are in the interest of the long-term well-being of markets, firms, consumers and investors. We will likewise ensure that these activities are subject to more effective oversight. Thirdly, the Regulatory Authority also plans to raise awareness of the importance of good governance and effective risk management across the financial industry in Qatar as a whole. As a first step, we will be strengthening our engagement and collaboration with firms and individuals in the QFC and working with them to identify emerging areas of risk.

THE NEXT FIVE YEARS - A WINDOW OF OPPORTUNITY

The proposed single regulator will be a key factor in supporting Qatar's ambitions and in opening up the tremendous opportunities presented by Qatar's investment and growth plans.

As we look to 2011 and beyond, it is clear that Qatar's unique combination of vision, ambition, strong economic growth and political stability, provide exceptional opportunities for financial services in Qatar. Economic development stands as one of Qatar's four pillars in the Qatar National Vision 2030, and the first National Development Strategy, covering the period 2011 to 2016, places particular emphasis on development of the financial sector as a means of diversifying Qatar's economy. We look forward to providing the infrastructure to support that diversification. As I have already noted, the National Vision is ambitious and the Government

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We have before us an extraordinary opportunity to develop a financial services sector in Qatar that not only supports the increased demands of a rapidly expanding economy but also the wider needs of the region. The Regulatory Authority stands ready to play its part, together with our partner authorities in the State, in helping Qatar meet this challenge.

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has recognised that "further steps to enhance competitiveness and attract investment will be needed in a dynamic and increasingly borderless international economy" if the Vision is to be achieved. Some of those steps have already been taken with the Government anticipating an investment of approximately US$ 170 billion in new projects leading up to the 2022 FIFA World Cup tournament in Qatar. This investment provides a remarkable opportunity for financial services firms to develop through project finance, corporate finance and insurance, as well as asset management. However, these opportunities and the high levels of growth that are expected to occur, if not properly managed, may also create significant risks.

Qatar's current financial regulatory structure is far from ideal. While the QFC benchmarks and delivers international standards, other areas of the domestic marketplace remain less well regulated, or in some areas, not regulated at all. The Government has long recognised the importance of establishing a comprehensive, integrated and effective regulatory framework, and in 2007 announced its intention to establish a single integrated regulator for the State of Qatar, an objective to which it remains committed. The benefits of a single integrated regulator are considerable and include ensuring consistent high standards across all markets, and increased growth opportunities for financial services in Qatar. In time, such an initiative will also aid the diversification of Qatar's economy, reduce uncertainties and administrative costs for financial market participants, and deliver effective regulation and enforcement of the financial services perimeter by ensuring that all financial services conducted in the State of Qatar are properly licensed and subject to real supervision. Operating to international standards, the single integrated regulator will also ensure that Qatar's domestic firms are better positioned to realise their international ambitions.

As was the case for setting up the Regulatory Authority in 2005, for the single integrated regulator to succeed, it will be important for the institutional framework to be properly structured to support its mandate. The single integrated regulator must be clearly independent, well resourced, committed to international best practice and have the requisite powers to pursue its regulatory objectives. Any compromise on these basic principles would leave Qatar with a significant challenge as it seeks to achieve its 2030 aspirations.

We are confident that the Government recognises the importance of 'getting it right'. Qatar has consistently shown a strong commitment to high standards, transparency and accountability. With the QFC, the Government has provided a secure and innovative environment for ethical financial business, and because of this, over the last five years, Qatar's stature as an international participant in the financial markets has grown and continues to grow.

We have before us an extraordinary opportunity to develop a financial services sector in Qatar that not only supports the increased demands of a rapidly expanding economy but also the wider needs of the region. The Regulatory Authority stands ready to play its part, together with our partner authorities in the State, in helping Qatar meet this challenge.

PHILLIP THORPE
CHAIRMAN & CHIEF EXECUTIVE OFFICER

April 2011

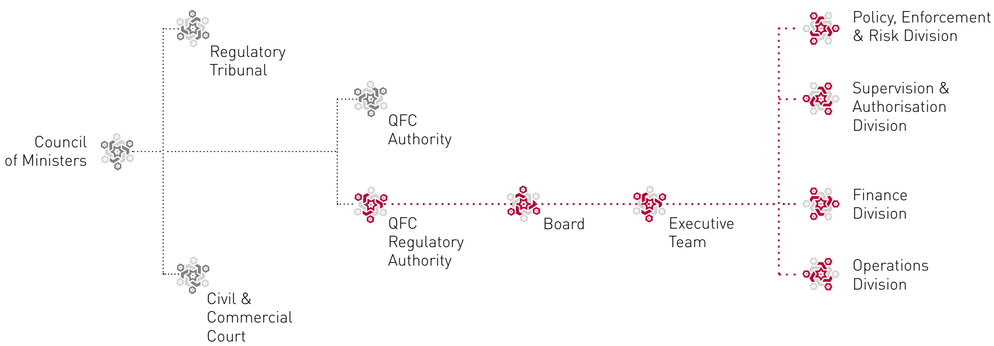
Good corporate governance is the mechanism that ensures transparency, integrity, independence, accountability and fairness. The Regulatory Authority is committed to demonstrating best practice and leadership in this area.

GOVERNANCE FRAMEWORK

Role of the Board

In accordance with the QFC Law, the Regulatory Authority executive is responsible to its Board of Directors. The role of the Board is to set the strategic direction for the Regulatory Authority, to oversee executive management's conduct of business, to set policies and to ensure that the system of internal controls within the Regulatory Authority is effective in managing risk. Board members are required to have significant expertise in the regulation of financial services. By law, the Board may have a maximum of six members appointed by the Council of Ministers.

GOVERNANCE STRUCTURE



Board Composition

During 2010, the Board comprised five directors. The Chairman and Chief Executive Officer, Phillip Thorpe, was appointed in March 2005. The Board's independent and non-executive members were Jean-François Lepetit, Andrew Sheng, Robert O'Sullivan and Brian Quinn. The non-executive directors were appointed by the Council of Ministers in March 2006 and reappointed in March 2009 for an additional three-year term. Following the Board meeting in March 2011, Brian Quinn resigned from the Board having completed 5 years of distinguished service.

Board Meetings

The Board met four times in person during 2010 and in addition, four meetings were held by telephone to address specific matters.

At its meetings, the Board considered a number of standing items including the review of quarterly financial reports, the Deputy Chief Executive Officer's monthly report to the Board, the annual budget, the audited financial statements, the Regulatory Authority's organisational objectives and other matters such as rules amendments, legislative matters, regulatory policies and enforcement matters. The most significant policy matters considered by the Board in 2010 were in relation to the development and amendment of the Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) Rules, the QFC Collective Investment Scheme regime, the captive insurance and insurance intermediaries regime and various other issues of regulatory policy to ensure that the Regulatory Authority remained aligned with international best practice.

In accordance with best governance practice relating to the rotation of auditors, the Board also approved the replacement of the external auditors, Ernst & Young, who had served as auditors to the Regulatory Authority for five years, with KPMG who were appointed to audit the accounts of the Regulatory Authority for the year ending 31 December 2010.

Committees of the Board

The Board is empowered to establish committees to undertake and advise on certain areas of responsibility. The Governance Resolution of the Board provides for the establishment of an Audit and Risk Committee, a Nominations and Remuneration Committee and sets out the nature and membership of these committees. Additional committees may be established if required by the Board.

Audit and Risk Committee

The Audit and Risk Committee (ARC), comprised two non-executive directors, namely Robert O'Sullivan (ARC Chairman) and Brian Quinn.

The principal focus of the ARC is to monitor and oversee:

- the effectiveness of the Regulatory Authority's policies, procedures and internal controls including those for financial reporting;
- compliance with legal and other requirements;
- the performance of the Internal Audit function and the external auditing firm;
- the effectiveness of the enterprise risk management framework; and
- the business continuity and disaster recovery plans.

The ARC met four times during 2010, supplemented by exchanges of information between meetings. The Head of Internal Audit attended these meetings and members of executive management attended by invitation, depending on the topic for discussion. All matters of significant discussion were shared with the Board and minutes of the ARC meetings were provided to the Board for information.

Good corporate governance is the mechanism that ensures transparency, integrity, independence, accountability and fairness. The Regulatory Authority is committed to demonstrating best practice and leadership in this area.

Significant enhancements were made in 2010 to the Regulatory Authority's business continuity and disaster recovery planning. A secondary data centre and an Emergency Operations Site (EOS) were established, and critical data is now backed up to the secondary data centre on a real-time basis. A comprehensive business continuity test was successfully carried out during the year. Further enhancements are under way in 2011.

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

Nominations and Remuneration Committee

The Nominations and Remuneration Committee (NRC) comprised Jean-François Lepetit (NRC Chairman), Andrew Sheng and Phillip Thorpe.

The principal areas of focus of the NRC include the consideration and delivery of recommendations regarding:

- prospective Board appointments and Board succession planning; and
- Board policy in relation to all aspects of executive appointment and remuneration.

The NRC met four times during 2010. At each meeting, the NRC was provided with an update on Human Resource matters including progress on the recruitment and training of Qatari nationals. Significant NRC recommendations to the Board included matters relating to the appointment of a Managing Director of Policy and Enforcement and securing participation in the pension scheme of the State of Qatar for Qatari nationals.

Board Internal Evaluation

Following a Board self-assessment exercise undertaken in 2009, the Board repeated the exercise during 2010, the purpose of which was to review Board practices and to find ways to improve efficiency and effectiveness. The Board members completed a detailed questionnaire and provided comments on a range of topics. The results were positive in relation to the conduct of Board meetings, the Board's policy making and the financial management practices. Themes emerging from the exercise and areas for further development will be pursued in 2011.

All Board members attended the Board meetings and committee meetings held during 2010; there were no absences.

FROM LEFT TO RIGHT | Tan Sri Andrew Sheng PSM, Robert O'Sullivan, Brian Quinn CBE, Phillip Thorpe, Jean-François Lepetit

"The prospect of the single regulator provides an opportunity to build on the strong regulatory foundations established by the Regulatory Authority. We are ready to work with our partners to implement world-class regulation across all markets and to support and protect the Government's substantial investments in Qatar and the region."

PHILLIP THORPE

Phillip Thorpe has held the position of Chairman and CEO of the 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, a Managing Director of the UK's Financial Services Authority 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.

"The substantial economic growth in Qatar and the region presents tremendous opportunities for high quality businesses. The Regulatory Authority has built a regulatory structure that is familiar to international firms and provides a fair and transparent environment in which to compete."

JEAN-FRANÇOIS LEPETIT

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

"Dramatic economic events over the last few years and ongoing shifts in global and regional economic power will continue to present financial markets with substantial challenges. We must all remain vigilant and ensure we as regulators can respond to the need for change."

TAN SRI ANDREW SHENG PSM

Tan Sri Andrew Sheng was formerly Chairman of the Hong Kong Securities and Futures Commission for seven years. He has also held senior positions with Bank Negara Malaysia, the World Bank and the Hong Kong Monetary Authority. 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 a senior advisor to the China Banking Regulatory Commission, and is a non-executive director of the Board of Khazanah Nasional, Malaysia. His Majesty the King of Malaysia conferred the award of Panglima Setia Mahkota to Mr. Sheng, which carries the title 'Tan Sri', on the occasion of the birthday of the King on 5 June 2010.

"Effective supervision relies on the right mix of people, with broad and deep skills supported by strong systems and infrastructure. The Regulatory Authority has built a potent combination of deep international experience, and strong local talent."

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.

"The Regulatory Authority has over the last five years implemented a world-class regulatory framework which will continue to provide critical and ongoing support to the Qatar financial markets as they continue to evolve."

BRIAN QUINN CBE

Brian Quinn is a former Executive Director, Supervision and Surveillance and Acting Deputy Governor of the Bank of England. As well as holding previous positions in the Bank of England and the IMF, he was a member of the Basel Supervisors Committee and Chairman of the Supervisory Committee of EC Governors. He has acted as a consultant to the World Bank, IMF, BIS and a number of central banks and supervisory agencies. Mr. Quinn has held non-executive directorships in a number of financial companies and is currently a non-executive director of Genworth Financial Mortgage Insurance Ltd. He is a member of the UEFA Club Financial Control Panel and Chairman of Bvalco Ltd., a joint venture established to carry out external evaluations of boards of directors. He is an Honorary Professor of Economics at Glasgow University and was formerly Chairman of Celtic Plc. Mr. Quinn is a Fellow of the Chartered Institute of Bankers in Scotland.

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The Governance Resolution of the Board sets out the responsibilities relating to the roles of Chairman and CEO. The CEO is responsible to the Board for the day-to-day administration and operation of the Regulatory Authority and provides a monthly written report of these activities to the Board.

The executive management team comprises the Chairman and CEO, Deputy CEO and the heads of the four Regulatory Authority divisions: Managing Director Policy, Enforcement and Risk; Managing Director Supervision and Authorisation; Chief Financial Officer and Chief Operating Officer. Each team member has extensive experience of working in the financial services sector and regulation.

01. PHILLIP THORPE
CHAIRMAN & CHIEF EXECUTIVE OFFICER

For details on Thorpe's background and experience please refer to the 'Board of Directors' section.

02. MICHAEL RYAN
DEPUTY CEO

Ryan joined the Regulatory Authority in 2009 as Deputy Chief Executive Officer. He began his career in 1989 as an attorney with Cadwalader, Wickersham & Taft in New York, specialising in banking, securities and corporate law and in 1994 he joined CS First Boston as Senior Legal Counsel for its North American derivatives group. In 1996, he joined Merrill Lynch to take the role of General Counsel for Merrill Lynch International Bank Limited, the group's primary international bank. After one year with Merrill Lynch's EMEA equities group in London, he was appointed Managing Director and Chief Executive Officer of Merrill Lynch International Bank Limited, a position he held for eight years prior to joining the Regulatory Authority. Following the merger of Merrill Lynch and Bank of America in 2009, he was also appointed Country Executive for the combined businesses in Ireland. He served on the Irish Prime Minister's Advisory Committee on Financial Services for seven years prior to taking up this post in Doha.

03. MICHAEL J LESSER
MANAGING DIRECTOR, SUPERVISION AND AUTHORISATION

Lesser has 35 years of experience as a supervisor of banks and financial institutions. A recipient of the Robert H. McCormick Award for Excellence in International Bank Supervision, Lesser previously worked at the New York State Banking Department as Deputy Superintendent of Banks, with overall responsibility for the supervision of depository institutions. He has headed various divisions at the New York State Banking Department, including Large Complex Banks, Foreign Banks, Research and Technical Assistance and held the position of Chief Bank Examiner. He also had responsibility for overseas examinations and international regulatory liaison. Lesser holds a Bachelor of Arts degree in Economics from the City College in New York.

04. GEORGE PICKERING
MANAGING DIRECTOR, POLICY, ENFORCEMENT AND RISK

Pickering's regulatory and financial markets' experience spans over 30 years. In his most recent role, Pickering was the Chief of the Funds Management and Banking Department at Bank of Canada where he was responsible for the fiscal agent policy in government debt, foreign reserves and risk management and the Bank's government banker activities. He served as an Advisor to the Governor and was Secretary to the Governing Council from 2004-2005. He was a member of the Financial Stability Review Committee from 2001-2010 and Chair of the Canadian Foreign Exchange Committee from 2004-2008.

Pickering worked at the Bank for International Settlements from 1990-2001 and the International Monetary Fund from 1982-1986. He was the first Chief Representative for Asia and the Pacific for the BIS in Hong Kong from 1998-2001. Pickering holds a Bachelor's degree in Commerce and a Master's degree in Economics from Carleton University in Ottawa (Canada).

05. JAY PERUMAL
CHIEF FINANCIAL OFFICER

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

06. IAN CHIVERS
CHIEF OPERATING OFFICER

Chivers has worked in the financial services sector for more than 20 years in Europe, Africa and the United States. Prior to joining the Regulatory Authority, Chivers held a number of senior regional and global leadership positions at Merrill Lynch, including Chief Administrative Officer (CAO) for the EMEA Region, CAO for Global Equity Markets, COO for EMEA Equity Markets and CAO for Global Investment Banking. Chivers holds an Economics degree from the University of Reading, England, is a Chartered Management Accountant and an Associate Member of the Association of Corporate Treasurers.

The ongoing activities and policy initiatives of the Regulatory Authority in 2010 took place against the background of a strong recovery in the Qatar economy and strong performance in Qatar financial markets. Following a marked slowdown in 2009, the Qatar economy expanded by 16% in 2010. Interest rates in Qatar remained low throughout the year as the Qatar Central Bank maintained an accommodative monetary policy. Given the sharp increases in oil prices and the ongoing recovery in the global economy, the growth prospects for 2011 and beyond are very positive.

With the growing pace of economic growth in Qatar, and the GCC region more generally, authorised firms in the QFC continued to see their businesses expand and broaden throughout 2010.

The key areas of activity in the Regulatory Authority are centred on continued improvements in the supervision and authorisation functions, completion of a key policy initiative on Anti-Money Laundering, the launching of several new policy initiatives and increased activity by the enforcement team. The Regulatory Authority also placed an increased emphasis on the identification and monitoring of macro-prudential risks that could affect financial institutions in the country. Increased collaboration with the other key financial sector regulatory authorities was also undertaken on various initiatives. Lastly, but importantly, the Regulatory Authority undertook renewed efforts to strengthen its talent pool.

ATTRACTING NEW FIRMS AND STRENGTHENING OUR PROCESSES

Continued investment in our staff and IT systems will ensure that the Regulatory Authority remains on a par with best practice and other leading regulators.

During the course of 2010, the Regulatory Authority continued to strengthen the supervisory framework by streamlining processes, enhancing efficiencies and fine-tuning rules. The Regulatory Authority invested in additional staff and expertise in key areas including: a new head of Insurance Supervision; a head of Authorisation; and the establishment of a dedicated supervision team focused on Anti-Money Laundering and Combating Terrorist Financing. The goal is to ensure that Qatar's regulatory environment continues to comply with the core principles of bank, insurance and securities supervision and remains on a par with the best in the world.

The Regulatory Authority established an electronic submission platform in 2010 to allow for a speedy, effective and simple online process for the submission of applications for Approved Individuals. In 2011, all Authorised Firms will for the first time begin submitting prudential returns electronically.

Throughout 2010, nine licences were granted to engage in Permitted Activities in or from the QFC. At the end of 2010, there were 104 firms operating in the QFC (compared to 111 at the end of 2009) of which 59 were engaged in Regulated Activities (see Annex 1).

In addition, 139 new Individuals were approved to carry out Controlled Functions. By the end of 2010, there were 501 Approved Individuals under the QFC's regime vs 521 at the end of 2009.

The slight fall in the number of active firms and Approved Individuals during 2010 reflects the withdrawal of a number of firms following the global financial crisis, as well as a relatively lower number of applications. However, by the end of 2010, the number of applications had recovered, resulting in an active caseload of 27 applications in process.

A schedule setting out the trend in the number of Authorised Firms and Approved Individuals over the last five years is set out in Annex 2.

A RISK-BASED APPROACH TO REGULATION

The Regulatory Authority maintained a risk-based approach to regulation and initiated a number of thematic reviews including a review of AML controls.

The Regulatory Authority adopts a risk-based approach to regulation and focuses on those areas which present the greatest risk to its Regulatory Objectives. Accordingly, in 2010 the Regulatory Authority:

- maintained close relationships with the firms, including directors and senior management, who bear the primary responsibility for meeting the prudential and compliance responsibilities of the firms concerned;
- engaged with other regulators to ensure that international efforts at supervision and regulation were coordinated and coherent and to avoid undue duplication;

- focused on monitoring enhancements to the international supervisory standards laid down by the Basel Committee; the International Association of Insurance Supervisors; and the International Organisation of Securities Commissions;
- engaged in periodic risk assessments of firms using methodology drawn from our extensive international supervisory experience; and
- initiated a number of thematic reviews covering areas such as AML, in addition to ongoing supervisory coverage of individual firms.

TAKING THE LEAD ON COMBATING MONEY LAUNDERING

The Regulatory Authority is proud to have played an active role in the development of the new framework in Qatar to combat money laundering.

The Regulatory Authority is committed to enhancing the status of Qatar as a centre for fair and ethical business and, in that connection, it is creating an environment which effectively combats all forms of financial crime. The Regulatory Authority also engages in awareness raising activities among authorised and licensed firms and other agencies on several aspects of financial crime.

During 2010, the Regulatory Authority increased the capabilities of its dedicated AML team in order to: assist with the launch of the revised rules; to better monitor AML risk, and to set the agenda for enhanced supervision of firms on this important area. The revised AML Rules were issued, after public consultation, in April 2010. They were designed to implement Qatar's new Law on Anti-Money Laundering which is aligned to international standards. In developing these new Rules, the Regulatory Authority was able to use its considerable AML expertise and worked in partnership with the Qatar Central Bank, the Qatar Financial Markets Authority and the Ministry of Business and Trade. Following this work, the Financial Action Task Force (FATF), the international standard setting body for AML, carried out an assessment of the progress made in improving the Qatar legal and regulatory regime in relation to AML. The FATF concluded that the Qatar regime had made significant progress in aligning with international best practices.

The Regulatory Authority also welcomed its nomination as a member of the NAMLC. The Regulatory Authority will continue to play an active role with the NAMLC and continue to engage with Government departments and agencies to consider how the standards on AML can be more effectively implemented, and knowledge on their provisions more widely disseminated. Training programmes for QFC firms will also continue.

A NEW REGIME FOR COLLECTIVE INVESTMENT SCHEMES

A new regime for collective investment schemes has been implemented to support the development of Qatar as a regional and international asset management hub.

In early 2010, the Regulatory Authority undertook a review of its regulatory regime for collective investment schemes. Two consultation papers were pubished in February and August 2010. Following extensive feedback, a revised set of collective investment schemes rules came into effect in January 2011. The new regulatory regime broadens the investor base for schemes, by including a retail investor regime, and expands and clarifies the types of asset management schemes and activities that may be undertaken.

The Regulatory Authority's development of the new regime is a key component of a wider initiative being led by the QFC Authority to develop the QFC and Qatar as a regional and international asset management hub. The Regulatory Authority has also significantly strengthened its team by recruiting specialists with extensive international asset management experience to provide technical support and expertise to authorised firms.

A NEW REGIME FOR CAPTIVE INSURANCE AND INSURANCE MEDIATION

Extensive work on the drafting of a new regime for captive insurers and insurance intermediation was carried out, with new rules expected to be in place by mid-2011.

In February 2010, the QFC Authority announced that its strategic focus will also include captive insurance. To support the new strategic focus, the Regulatory Authority consulted on high-level policy proposals in July 2010 to further develop the captive insurance, protected cell companies and insurance intermediaries regimes in the QFC.

During 2010, extensive work was undertaken to expand, clarify and streamline rules. In 2011, a formal process of public comment was launched with the release of two Consultation Papers and an accompanying set of draft rules. It is anticipated that new Rules for the captive regime will be in place by mid-2011.

INTERNATIONAL COLLABORATION

International collaboration with other regulators remained a focus, with two new MOU's signed in 2010.

In 2010, the Regulatory Authority further strengthened its working relationships with other country regulators.

The Regulatory Authority signed Memoranda of Understanding (MOU) with the Central Bank of Ireland and Dubai Financial Services Authority, aiming to promote greater collaboration with these institutions. The Regulatory Authority now has MOUs with the Commission Bancaire of France, Capital Markets Authority of Oman, China Banking Regulatory Commission, German Federal Financial Supervisory Authority (BAFIN), Swiss Federal Banking Commission, Jersey Financial Services Commission, Financial Supervisory Commission of the Republic of Korea, Monetary Authority of Singapore, Banking Control Commission Bank of Lebanon, State Bank of Delaware Department of Insurance, Central Bank of Bahrain, Central Bank of Jordan and Isle of Man Financial Supervision Commission, in addition to those added in 2010.

MENA-OECD CAPITAL MARKETS TASK FORCE

The Regulatory Authority co-chaired the Roundtable on Effective and Efficient Financial Regulation at the MENA-OECD Capital Markets Task Force in December 2010.

The MENA-OECD Capital Markets Task Force was launched in December 2010 in Qatar at the Roundtable on Effective and Efficient Financial Regulation. The Roundtable was co-chaired by the Regulatory Authority and the Securities and Exchange Commission of the United States and organised by the MENA-OECD Investment Programme, in cooperation with the Ministry of Business and Trade of Qatar and the Regulatory Authority. The Regulatory Authority Board also participated.

The main objectives of the task force were to:

- provide a high-level forum for discussions among representatives from capital market authorities from MENA and OECD countries;
- develop policy recommendations for capital markets' regulation in MENA and OECD countries, based on analytical work and best practice; and
- provide input to the work of the MENA-OECD Investment Programme on issues relating to the development of financial systems in the MENA region.

The Roundtable Meeting brought together representatives from financial markets, regulatory and supervisory institutions in MENA and OECD economies as well as expert representatives from international financial institutions. This work on capital markets will continue with the OECD in 2011.

ENHANCING STAKEHOLDER ENGAGEMENT

Broad stakeholder engagement with market participants, government, other regulators, and academics remained a focus for the Regulatory Authority in 2010.

During the year, the Regulatory Authority focused on maintaining and expanding its engagement with a number of key stakeholders. These included authorised firms, government agencies, international regulators, the OECD, Qatar University and Georgetown University. Regular briefings, discussions, public consultations and lectures were held during the course of the year.

Policy initiatives and rule changes are not implemented without first providing an opportunity for stakeholders to engage and comment. The AML and asset management policy work provided good opportunities to further work with firms in the QFC, and engagement included training, briefing sessions and town hall meetings.

TRAINING AND COMPETENCE

A series of Training and Competence modules was launched to strengthen the regulatory understanding and compliance capabilities of authorised firms.

The Regulatory Authority also launched a 'Training and Competence' module to provide firms with a greater understanding of the regulatory regime in the QFC and developments in international regulation. The larger goal is to build a strong regulatory understanding and capability within QFC firms, which would not only strengthen compliance but also improve overall market performance.

The first module was presented in 2010, with attendance from firms on a voluntary basis. In the future, certain modules will be mandatory to ensure that those holding key positions within authorised firms are fully equipped with the necessary skills and expertise.

ENFORCEMENT

The Regulatory Authority used its enforcement powers to impose substantial penalties on two firms, underlying its commitment to take firm and visible action against firms that act against the interests of the market and its stakeholders.

The Regulatory Authority believes in using its enforcement powers strategically to prevent, detect and restrain conduct which may cause damage to the reputation of the QFC. The Enforcement Department has seen an increase in its activities which is to be expected given not only the greater number of participants but also the passage of time since the inception of the QFC. The Regulatory Authority has a range of disciplinary sanctions available, including prohibition, withdrawal of approval and financial penalties. These sanctions are designed to allow the Regulatory Authority to deliver strong, visible enforcement outcomes. The publicity given to enforcement actions is important not only to ensure transparency of the Regulatory Authority's actions but also to deter other firms and individuals from committing similar contraventions.

“The key areas of activity in the Regulatory Authority are centred on continued improvements in the supervision and authorisation functions, completion of a key policy initiative on Anti-Money Laundering, the launching of several new policy initiatives and increased activity by the enforcement team. The Regulatory Authority also placed an increased emphasis on the identification and monitoring of macro-prudential risks that could affect financial institutions in the country.”

During 2010, the Enforcement Department undertook assessments and investigations into a variety of matters. It concluded two significant investigations into Corecap Merchant Bank LLC and Al Mal Bank LLC, imposing substantial penalties on both entities. The enforcement strategy is targeted but flexible, ensuring a proportionate response to the identified risks. That strategy includes engaging with firms at an early stage to achieve a satisfactory resolution to rule breaches by mutual agreement if that is the most appropriate course of action. If a more robust approach is required, the Enforcement Department will commence an investigation and use the regulatory tools at its disposal to ensure the appropriate outcome. The Regulatory Authority remains committed to ensuring that it operates a process which is and is seen to be, fair and effective.

MACRO-PRUDENTIAL RISK MANAGEMENT

In 2010 the Regulatory Authority strengthened its macro-prudential risk management capability, which is key to identifying and controlling systemic and financial contagion risks.

In addition to closely supervising risk at the authorised firm level, it is essential that risks and trends are tracked and evaluated at the aggregate macro-prudential level. The events of 2008 clearly exposed the vulnerabilities of the financial industry whose business models depended too heavily on: access to concentrated funding sources; an over concentration in certain asset classes; and often involved excessively high levels of leverage. A major failure that contributed to the development of these business models was not only the weakness in risk management practices at the industry level but also limited oversight capabilities by regulatory regimes even in the most sophisticated financial markets.

In 2010, the Regulatory Authority took concrete steps to further strengthen its ability to respond to any future systemic or financial contagion risk considerations by supplementing its management team with a new Director of Risk with extensive regulatory and industry experience. In this regard, the Risk function is in the process of facilitating efforts to provide leadership and independent expertise, particularly from a macro-prudential perspective, not only to safeguard stability within the QFC but also for the purpose of championing financial industry risk management best practices across Qatar and in the region. This investment in risk management capabilities is an important addition to the Regulatory Authority's capabilities which will continue to be strengthened during 2011.

DEVELOPING OUR TALENT POOL

The Regulatory Authority further strengthened its local talent through the addition of 10 Qatari nationals, in line with its commitment to the 'Human Capital' Pillar of the Qatar National Vision 2030.

By the end of 2010, the Regulatory Authority had built a team of 106 regulatory professional and support staff, including experts with considerable experience from across the globe. The Regulatory Authority further strengthened its local talent and capabilities through the addition of 10 Qatari national staff, in line with the Regulatory Authority's commitment to the 'Human Development Pillar of the Qatar National Vision 2030'. In 2010, 30% of new hires were Qatari nationals and by the end of 2010, approximately 15% of the Regulatory Authority's staff were Qatari. A key Qatari national appointment was also made in senior management, strengthening regulatory expertise and the depth of regional regulatory experience.

At the heart of this programme to attract and develop Qatari staff is the GFP. The GFP offers an intensive 12-month on-the-job training programme to top tier Qatari graduates. In 2010, five talented graduates took up this challenge and in 2011, the programme will be further expanded with the hiring of six more Qatari graduates. The dividends of the GFP are apparent in the career advancement of the previous participants who currently contribute in increasingly senior regulatory and policy-related roles.

In fulfilling its mandate the Regulatory Authority exercised rigorous controls over all its expenditure and the use of its resources.

FINANCIAL REVIEW

The Regulatory Authority continues to benefit from a strong financial position which supports its role as an independent and world-class regulator. The Qatar Financial Centre Law No. 7 of 2005 provides for the funding of the Regulatory Authority by the State of Qatar, based on an annual budget approved by the Board of the Regulatory Authority. All income and expenditure is closely monitored and controlled against the approved budget. Strict policies and procedures are followed over approval and commitment of all expenditures.

The accounts of the Regulatory Authority are audited by an independent firm of auditors operating in the State of Qatar and internal operating policies and procedures are subject to audit by the internal audit division, which reports to the Audit and Risk Committee.

During 2010, gross income increased by 30% to US$ 4.0 million mainly due to US$ 0.7 million in penalties imposed on firms that had contravened a requirement set out in Article 84 (1) of the Financial Services Regulations. Fee income and interest income showed a slight increase over 2009.

Total expenditure increased by 9% in 2010 to US$ 28.2 million largely due to an increase in staff numbers to meet additional supervisory requirements and the development of new regulatory policies and regimes to meet the emerging hub strategies of the QFC.

Net expenditure during the year amounted to US$ 24.2 million, compared to the government budget appropriation of US$ 28.9 million, resulting in a surplus of US$ 4.7 million. The Regulatory Authority Board has approved the retention of this surplus.

Total reserves and retained surplus amounted to US$ 25.0 million by 31 December 2010, equivalent to approximately 10 months' expenditure, further enhancing the Regulatory Authority's financial independence. Funds representing the reserves and retained surplus are invested in short-term bank deposits.

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

Report on the financial statements

We have audited the accompanying financial statements of Qatar Financial Centre Regulatory Authority ("the QFC Regulatory Authority") which comprise the statement of financial position as at 31 December 2010, and the statements of activities, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Responsibilities of the Board of Directors for the financial statements

The Board of Directors is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the applicable provisions of Qatar Financial Centre Law No. 7 of 2005, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our 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, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the QFC Regulatory Authority as at 31 December 2010, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the applicable provisions of Qatar Financial Centre Law No. 7 of 2005.

Other matter

The financial statements of the QFC Regulatory Authority as at and for the year ended 31 December 2009 were audited by another auditor whose report dated 8 March 2010 expressed an unqualified audit opinion on the financial statements.

Report on other legal and regulatory requirements

In addition, in our opinion, proper books of account have been kept by the QFC Regulatory Authority and the financial statements are in agreement therewith. 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 Qatar Financial Centre Law No. 7 of 2005 having occurred during the year which might have had a material effect on the business of the QFC Regulatory Authority.

KPMG
20 March 2011
Doha, State of Qatar

STATEMENT OF FINANCIAL POSITION *[As at 31 December 2010]*

	Note	2010 US$ '000	2009 US$ '000
ASSETS			
Non-current assets			
Intangible assets	5	477	–
Furniture and equipment	6	669	874
Total non-current assets		1,146	874
Current assets			
Accounts receivable and prepayments	7	1,660	2,386
Cash and bank balances		27,698	23,938
Total current assets		29,358	26,324
Total assets		30,504	27,198
EQUITY AND LIABILITIES			
Equity			
General reserve	2 & 8	17,651	12,651
Retained surplus	2 & 8	7,325	7,612
Total equity		24,976	20,263
Current liabilities			
Accounts payable and accruals	9	5,528	6,935
Total current liabilities		5,528	6,935
Total equity and liabilities		30,504	27,198

The financial statements of the QFC Regulatory Authority for the year ended 31 December 2010 were authorised by the Board of Directors on 20 March 2011.

PHILLIP THORPE
CHAIRMAN & CHIEF EXECUTIVE OFFICER

JAY PERUMAL
CHIEF FINANCIAL OFFICER

The accompanying notes 1 to 15 form an integral part of these financial statements.

STATEMENT OF ACTIVITIES *[For the year ended 31 December 2010]*

	Note	2010 US$ '000	2009 US$ '000
Income			
Fee income		2,194	2,041
Financial penalties		706	–
Interest income		1,054	1,002
Total income		3,954	3,043
Expenses			
Salaries and other related costs		(23,558)	(20,887)
General and administrative expenses	10	(3,936)	(4,341)
Board expenses		(659)	(650)
Total expenses		(28,153)	(25,878)
Excess of expenses over income for the year before appropriations		(24,199)	(22,835)
Appropriations from the Government		28,912	30,447
Surplus for the year		4,713	7,612

The accompanying notes 1 to 15 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY *[For the year ended 31 December 2010]*

	General reserve US$ '000	Retained surplus US$ '000	Total US$ '000
Balance at 1 January 2009	–	12,651	12,651
Surplus for the year	–	7,612	7,612
Transfer of surplus to general reserve	12,651	(12,651)	–
Balance at 31 December 2009	12,651	7,612	20,263
Balance at 1 January 2010	12,651	7,612	20,263
Surplus for the year	–	4,713	4,713
Transfer of surplus to general reserve	5,000	(5,000)	–
Balance at 31 December 2010	**17,651**	**7,325**	**24,976**

The accompanying notes 1 to 15 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS *[For the year ended 31 December 2010]*

	Note	2010 US$ '000	2009 US$ '000
Cash flows from operating activities			
Excess of expenses over income for the year before appropriations		(24,199)	(22,835)
Adjustments for:			
Amortisation of software costs	5	44	–
Depreciation	6	614	828
Loss on sale of furniture and equipment		–	1
Interest income		(1,054)	(1,002)
Operating loss before working capital changes		(24,595)	(23,008)
Changes in working capital			
Accounts receivable and prepayments		726	794
Accounts payable and accruals		(1,407)	1,847
		(25,276)	(20,367)
Interest received		1,054	581
Net cash (used in) operating activities		**(24,222)**	(19,786)
Cash flows from investing activities			
Software development costs	5	(521)	–
Purchase of furniture and equipment	6	(409)	(285)
Proceeds from sale of furniture and equipment		–	1
Net cash (used in) investing activities		**(930)**	(284)
Cash flows from financing activities			
Appropriations from the Government	2	28,912	30,447
Net cash generated from investing activities		**28,912**	30,447
Increase in cash and cash equivalents		3,760	10,377
Cash and cash equivalents at the beginning of the year		23,938	13,561
Cash and cash equivalents at the end of the year		**27,698**	23,938

The accompanying notes 1 to 15 form an integral part of these financial statements.

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

The QFC 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 QFC 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 QFC Regulatory Authority and do not extend to include any other bodies of QFC.

2. ECONOMIC DEPENDENCY

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

During the period, the Government provided the QFC Regulatory Authority with appropriations amounting to US$ 28,912,333 (2009: US$ 30,446,657). As the QFC Regulatory Authority has the right to retain any excess appropriations provided by the Government, these appropriations have been treated as part of retained surplus.

In December 2010 the Board of Directors approved the transfer of US$ 5,000,000 from the 2009 year's retained surplus to the general reserve account. This was in order to segregate and maintain the required level of retained surplus to meet a minimum of six months recurring costs of the QFC Regulatory Authority.

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

3. BASIS OF PREPARATION

3.1 Statement of compliance

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

3.2 Basis of measurement

The financial statements have been prepared under the historical cost convention.

3.3 Functional and presentation currency

The functional currency of the QFC Regulatory Authority is the Qatari Riyal. However, these financial statements have been presented in the United States Dollar (US$), which is the QFC Regulatory Authority's presentation currency.

3. BASIS OF PREPARATION (CONTINUED)

3.3 Functional and presentation currency (continued)

The balances in Qatari Riyals have been translated to US$ at the exchange rate of 3.645 Qatari Riyals to US$ and all financial information presented in US$ has been rounded to the nearest thousand US$.

3.4 Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised and in any future period affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in the note 14.

4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and methods of computation adopted in the preparation of the financial statements are consistent with those of the previous financial year.

4.1 Intangible assets

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

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

Intangible assets are carried at cost less accumulated amortisation and impairment losses. Those are amortised on a straight line basis over a period of three (3) years commencing when the asset is available for its intended use. This expense is reported as an administration expense in the statement of activities.

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

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

4.2 Furniture and equipment

Recognition and measurement

Items of furniture and equipment are measured at cost, less accumulated depreciation and accumulated impairment losses, if any.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.2 Furniture and equipment (continued)

Recognition and measurement (continued)

Cost includes expenditure that is directly attributable to the acquisition of the asset.

Gains and losses on disposal of an item of furniture and equipment are determined by comparing the proceeds from disposal with the carrying amount and are recognised net in the statement of activities.

Subsequent costs

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.

Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset or other amount substituted for cost, less its residual value. Depreciation is recognised in the statement of activities on a straight-line basis over the estimated useful lives of each part of an item of furniture and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful lives of the furniture and equipment in the current and comparative periods are as follows:

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

Depreciation methods, useful lives and residual values of the furniture and equipment are re-assessed annually by the management.

Impairment

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.

4.3 Non-derivative financial instruments

Non-derivative financial instruments comprise fees and other receivables, cash and bank balances (collectively termed as financial assets classified as 'loans and receivables') and accounts payable and accruals (termed as financial liabilities at amortised cost).

Financial assets classified as Loans and receivables (initial recognition and measurement)

These are financial assets with fixed or determinable payments that are not quoted in an active market. The QFC Regulatory Authority initially recognises loans and receivables on the date that they are originated. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these assets are measured at amortised cost using the effective interest method, less any impairment losses.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.3 Non-derivative financial instruments (continued)

Fee and other receivables

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.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less.

Impairment of financial assets

Financial assets are assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably. Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due on terms that would not be considered otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in the statement of activities. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the statement of activities.

Derecognition of financial assets

The QFC Regulatory Authority derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained is recognised as a separate financial asset or liability.

Financial liabilities at amortised cost (initial recognition and measurement)

The QFC Regulatory Authority initially recognises financial liabilities on the date that they are originated. These financial liabilities are recognised initially at fair value plus any directly attributable transaction costs for amounts to be paid in the future for goods and services received, whether or not billed by the supplier. Subsequent to initial recognition, financial liabilities are measured at amortised cost using the effective interest method.

Derecognition of financial liabilities

The QFC Regulatory Authority derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

Offsetting

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the QFC Regulatory Authority has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.4 Provisions

Provisions are recognised when the QFC Regulatory Authority has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable that an outflow of economic benefits will be required to settle the obligations and able to be reliably measured.

4.5 Retirement Benefit Cost

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

All Qatari employees must contribute 5% and the Regulatory Authority 10% of an employee's pensionable income. The Regulatory Authority's contribution is recognized as an expense in the Statement of Activities.

4.6 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.

4.7 Financial penalties

Under the Financial Services Regulations (FSR), the QFC Regulatory Authority has the power to impose financial penalties where it considers that a Person (as defined in the FSR) has contravened a Relevant Requirement set out in Article 84 (1) of the FSR. The principles to be followed by the QFC Regulatory Authority in determining the amount of any financial penalty to be imposed in respect of such contraventions are set out in the Regulatory Authority's Financial Services (Financial Penalties and Public Censures) Policy 2009.

The financial penalties are accounted on an accrual basis on the date stipulated in the order and the income is reported in the statement of activities.

4.8 Interest income

Interest income is recognised on an accrual basis, using the effective interest rate method.

4.9 Appropriations from the Government

Appropriations from the Government are recognised at their fair value when there is a reasonable assurance that the appropriations will be received by the QFC Regulatory Authority, and are recognised in the statement of activities over the period necessary to match them with the costs that they are intended to compensate.

4.10 Foreign currencies

Transactions in foreign currencies are translated into functional currency and recorded at rates of exchange existing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into functional currency at the rates of exchange ruling on the reporting date. Realised and unrealised exchange gains and losses are included in the statement of activities.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.11 Standards, amendments and interpretations issued

New Standards, amendments and interpretations issued and effective on or after 1 January 2010

The following standards, amendments and interpretations, which became effective in 2010, are relevant to the QFC Regulatory Authority

IFRIC 17 Distribution of non-cash assets to owners

IFRIC 17 was issued in November 2008. It addresses how the non-cash dividends distributed to the shareholders should be measured. A dividend obligation is recognised when the dividend was authorised by the appropriate entity and is no longer at the discretion of the entity. This dividend obligation should be recognised at the fair value of the net assets to be distributed. The difference between the dividend paid and the amount carried forward of the net assets distributed should be recognised in profit or loss. Additional disclosures are to be made if the net assets being held for distribution to owners meet the definition of a discontinued operation.

Improvements to IFRSs (2009)

Improvements to IFRS issued in April 2009 contained numerous amendments to IFRS that the IASB considers non-urgent but necessary. "Improvements to IFRS" comprise amendments that result in accounting changes to presentation, recognition or measurement purposes, as well as terminology or editorial amendments related to a variety of individual IFRS standards. The amendments are effective for annual periods beginning on or after 1 January 2010 with earlier adoption permitted. There were no material changes to the current accounting policies of the QFC Regulatory Authority as a result of these amendments.

New standards, amendments and interpretations issued but not yet effective

The following standards, and interpretations have been issued and are expected to be relevant to the QFC Regulatory Authority but not yet effective for the year ended 31 December 2010.

IFRS 9 'Financial Instruments'

IFRS 9 (2009) "Financial Instruments" is the first standard issued as part of a wider project to replace IAS 39 "Financial instruments: recognition and measurement". IFRS 9 (2009) retains and simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortised cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The guidance in IAS 39 on impairment and hedge accounting continues to apply. The 2009 standard did not address financial liabilities.

IFRS 9 (2010) adds the requirements related to the classification and measurement of financial liabilities, and de-recognition of financial assets and liabilities to the version issued in November 2009. It also includes those paragraphs of IAS 39 dealing with how to measure fair value and accounting for derivatives embedded in a contract that contains a host that is not a financial asset, as well as the requirements of IFRIC 9 "reassessment of Embedded Derivatives".

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.11 Standards, amendments and interpretations issued (continued)

New standards, amendments and interpretations issued but not yet effective (continued)

IFRS 9 'Financial Instruments' (continued)

The QFC Regulatory Authority is yet to assess IFRS9's full impact. Given the nature of the QFC Regulatory Authority's operations, this standard is not expected to have a pervasive impact on the QFC Regulatory Authority's financial statements. While adoption of IFRS 9 is mandatory from 1 January 2013, earlier adoption is permitted. Prior periods need not be restated if an entity adopts the standard for reporting periods beginning before 1 January 2012.

IAS 24 (Revised) "related party disclosures"

It was issued in November 2009 and is mandatory for periods beginning on or after 1 January 2011. The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. When the revised standard will be applied, the QFC Regulatory Authority and the parent will need to disclose transactions between its subsidiaries and its associates. The QFC Regulatory Authority is currently putting systems in place to capture the necessary information.

Improvements to IFRSs (2010)

Improvements to IFRS issued in 2010 contained numerous amendments to IFRS that the IASB considers non-urgent but necessary. 'Improvements to IFRS' comprise amendments that result in accounting changes to presentation, recognition or measurement purposes, as well as terminology or editorial amendments related to a variety of individual IFRS standards. The amendments are effective for the Company's 2011 annual financial statements with earlier adoption permitted. No material changes to accounting policies are expected as a result of these amendments.

5. INTANGIBLE ASSETS

	2010 US$ '000	2009 US$ '000
Software development cost		
Cost		
Balance at 1 January 2010	–	–
Additions	521	–
Balance at 31 December 2010	521	–
Amortisation		
Balance at 1 January 2010	–	–
Charge for the year	44	–
Balance at 31 December 2010	44	–
Net book value		
Balance at 31 December	477	–

6. 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						
Balance at 1 January 2009	823	1,124	803	27	56	2,833
Additions	8	219	–	–	58	285
Transfers	–	56	–	–	(56)	–
Disposals	–	(17)	–	–	–	(17)
Balance at 31 December 2009	831	1,382	803	27	58	3,101
Additions	3	302	61	–	43	409
Transfers	–	58	–	–	(58)	–
Disposals	–	–	–	–	–	–
Balance at 31 December 2010	834	1,742	864	27	43	3,510
Accumulated depreciation						
Balance at 1 January 2009	384	582	407	27	–	1,400
Charge for the year	256	291	281	–	–	828
Reversal on disposal	–	(1)	–	–	–	(1)
Balance at 31 December 2009	640	872	688	27	–	2,227
Charge for the year	140	346	128	–	–	614
Reversal on disposals	–	–	–	–	–	–
Balance at 31 December 2010	780	1,218	816	27	–	2,841
Net book value						
31 December 2010	54	524	48	–	43	669
31 December 2009	191	510	115	–	58	874

7. ACCOUNTS RECEIVABLE AND PREPAYMENTS

	2010 US$ '000	2009 US$ '000
Fees receivables	14	54
Prepaid expenses	845	1,477
Other receivables	801	855
	1,660	2,386
The ageing analysis of receivables is as follows:		
Neither past due nor impaired	807	856
Past due but not impaired	–	–
31 to 60 days	2	23
61 to 90 days	–	2
91 to 180 days	–	17
180 days and above	6	11
	815	909

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

8. EQUITY

General reserve

In December 2010 the Board of Directors approved the transfer of US$ 5,000,000 from the 2009 year's retained surplus to the general reserve account. This was in order to segregate and maintain the required level of retained surplus to meet a minimum of six months recurring costs of the QFC Regulatory Authority.

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

8. EQUITY (CONTINUED)

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 QFC Regulatory Authority.

9. ACCOUNTS PAYABLE AND ACCRUALS

	2010 US$ '000	2009 US$ '000
Accrued expenses	2,910	999
Trade payables	846	386
Employees' annual gratuity	73	379
Due to related parties (note 12)	10	4,000
Advances from customers	1,428	1,162
Charges recovered	251	–
Other payables	10	9
	5,528	6,935

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

10. GENERAL AND ADMINISTRATIVE EXPENSES

	2010 US$ '000	2009 US$ '000
Consultancy and professional fees	683	1,308
Rent	1,237	1,164
Amortisation of software costs	44	–
Depreciation	614	828
Corporate communication expenses	164	218
Other expenses	1,194	823
	3,936	4,341

11. COMMITMENTS

	2010 US$ '000	2009 US$ '000
Estimated capital expenditure contracted but not incurred		
Office equipment	–	54
Minimum lease rental payable under non-cancellable commitments		
Within one year	2,447	1,194
After one year but not more than five years	994	122
Other commitments		
Within one year	181	370
After one year but not more than five years	70	103

12. RELATED PARTY TRANSACTIONS AND BALANCES

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

12.1 Due to related parties

The balances due to related parties are as follows:

	2010 US$ '000	2009 US$ '000
Qatar Financial Centre Authority	10	15
Qatar Financial Centre Civil and Commercial Court	–	1,502
Qatar Financial Centre Regulatory Tribunal	–	2,483
	10	4,000

12. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

12.2 Related party transactions

The following significant related party transactions were carried out during the period:

	2010 US$ '000	2009 US$ '000
Appropriations from Government	28,912	30,447
Services from QFCA	1,278	1,229
Services and expenses paid on behalf of related parties	503	2,742
Appropriation from Government received on behalf of related Parties	849	4,633
Transactions with key management personnel		
Key management personnel remuneration includes the following expenses:		
Short-term employee benefits	4,474	4,600

13. FINANCIAL RISK MANAGEMENT

The QFC Regulatory Authority has exposure to the following risks from its use of financial instruments:

- credit risk;
- liquidity risk; and
- market risk.

This note presents information about the QFC Regulatory Authority's exposure to each of the above risks, the objectives, policies and processes for measuring and managing risk. Further quantitative disclosures are included throughout these financial statements.

Risk management framework

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

13. FINANCIAL RISK MANAGEMENT (CONTINUED)

13.1 Credit risk

Credit risk is the risk of financial loss to the QFC Regulatory Authority if counter party to a financial instrument fails to meet its contractual obligations, and arises principally from fees and other receivables and bank balances.

Credit risk in respect of bank balances is limited as the QFC Regulatory Authority only deals with highly reputable banks in Qatar and abroad. The QFC Regulatory Authority provides its services to banks and other institutions in the Qatar Financial Centre.

The QFC Regulatory Authority has not recognised any impairment loss on its financial assets as it believes that they are fully recoverable.

13.2 Liquidity risk

Liquidity risk is the risk that the QFC Regulatory Authority will not be able to meet its financial obligations as they fall due. The QFC Regulatory Authority limits its liquidity risk by securing appropriations from the Government to finance its operating and capital expenditure. The QFC Regulatory Authority's terms of services require amounts to be paid within 30 days of the date of service.

The contractual maturities of financial liabilities are as follows:

	Gross and discounted cash flows	
	2010 US$ '000	2009 US$ '000
Less than three months	5,528	6,935
More than three months, less than one year	–	–
	5,528	6,935

13. FINANCIAL RISK MANAGEMENT (CONTINUED)

13.3 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity price will affect the QFC Regulatory Authority's surplus or the value of its holdings of financial instruments.

Currency risk

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

Interest rate risk

The QFC 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 QFC Regulatory Authority does not hold any floating rate financial assets and financial liabilities at the reporting date.

Equity price risk

The QFC Regulatory Authority is not exposed to equity price risk since it does not hold any investment in equity instruments.

13.4 Determination of fair values

The management estimates that the carrying amount of financial assets and liabilities at the reporting date is a reasonable approximation of their fair value.

14. SIGNIFICANT ESTIMATES AND JUDGEMENTS

Judgements made by the management in the application of IFRS that have significant effect on the financial statement and the estimates with the significant risk material judgement in the year mainly comprise of the following:

Impairment of accounts receivable

An estimate of the collectible amount of 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 date, gross fees receivable were US$ 14 thousand (2009: US$ 54 thousand). Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the statement of activities.

Useful lives of furniture and equipment

QFC Regulatory Authority's management determines the estimated useful lives of its depreciable assets for calculating depreciation. This estimate is determined after considering the expected usage of the asset, physical wear and tear, technical or commercial obsolescence.

15. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the presentation in the current year's financial statements. Such reclassification did not have any impact on the net assets or net profit of the previous year.

APPROVED INDIVIDUAL

An individual approved by the Regulatory Authority to perform one or more controlled functions.

AUTHORISED FIRM

A firm that has been authorised to conduct one or more regulated activities in or from the QFC.

CONTROLLED FUNCTION

A function that is under Article 41 of the Financial Services Regulations and Rules made under that article may be carried out by an Approved Individual.

FIRM

A body corporate (whether incorporated in the QFC or elsewhere), limited liability partnership (whether incorporated in the QFC or elsewhere) or unincorporated association.

LICENSED FIRM

A firm that has been licensed to undertake one or more permitted activities in or from the QFC.

PERMITTED ACTIVITY

The QFC Law lists (in Schedule 3) a number of activities that are permitted in or from the QFC. A firm that carries on a permitted activity in or from the QFC is required to hold a licence from the QFC Authority. Some permitted activities are also regulated activities. A firm that carries on a regulated activity in or from the QFC must hold an authorisation (additional to its licence) to do so from the Regulatory Authority and its carrying on of the activity is regulated by the Regulatory Authority.

QFC

The Qatar Financial Centre (QFC) was established by the State of Qatar pursuant to Law No. 7 of 2005 to attract international financial institutions and multinational corporations to establish business within the QFC and to encourage their participation in the growing market for financial services in Qatar and elsewhere in the region. The QFC's commercial and regulatory environment and systems are organised and operated through the following authorities that are independent of each other and from host Qatari systems:

- the QFC Authority (QFCA), which manages the commercial operations of the QFC and is also responsible for the supervision of the QFC Companies Registration Office (CRO), which incorporates limited liability companies and limited liability partnerships within the QFC, and registers branches of companies operating within the QFC;
- the Regulatory Authority, which authorises, regulates and supervises banking, financial and insurance-related businesses carried on in or from the QFC and also has other functions (in particular, relating to Anti-Money Laundering and Combating Terrorist Financing);
- the Regulatory Tribunal, which hears appeals against the decisions of the Regulatory Authority; and
- the Civil and Commercial Court, which has jurisdiction to determine disputes relating to activities undertaken in or from the QFC, or events occurring in the QFC.

REGULATED ACTIVITIES

Permitted activities that are subject to authorisation and regulation by the Regulatory Authority. The principal regulated activities are the provision of financial and banking services, and insurance.

ANNEX 1 - AUTHORISED AND LICENSED FIRMS OPERATING IN THE QFC AS AT 31 DECEMBER 2010

QFC No.	Firm Name	Legal Status	Date Licenced	Permitted Activity
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 (Qatar) LLC	QFC LLC	01/03/2006	Regulated Activities
00006	Arab Law Bureau LLP	QFC LLP	20/03/2006	Professional Services (Legal)
00008	AXA Investment Managers LLC	QFC LLC	23/04/2006	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 LLC	31/08/2006	Professional Services (Legal)
00017	Bell Pottinger Communications Ltd.	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
00023	International Legal Consultants LLC	QFC LLC	13/11/2006	Professional Services (Legal, Companies and Trust Administration)

ANNEX 1 - AUTHORISED AND LICENSED FIRMS OPERATING IN THE QFC AS AT 31 DECEMBER 2010

QFC No.	Firm Name	Legal Status	Date Licenced	Permitted Activity
00024	AXA Insurance (Gulf) BSC	Branch	19/11/2006	Regulated Activities and Professional Services
00025	Region Holdings LLC	QFC LLC	11/12/2006	Professional Services (Strategic Consultancy and Administrative Consultancy)
00026	EMIRATES NBD 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
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	CHARTIS MEMSA Insurance Company Ltd.	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)

ANNEX 1 - AUTHORISED AND LICENSED FIRMS OPERATING IN THE QFC AS AT 31 DECEMBER 2010

QFC No.	Firm Name	Legal Status	Date Licenced	Permitted Activity
00041	ICICI Bank Ltd.	Branch	21/03/2007	Regulated Activities
00043	Citibank, NA	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
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	BMI BANK B.S.C (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
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)
00060	Qtel International LLC	QFC LLC	28/08/2007	Company Headquarters, Management Offices and Treasury Operations

ANNEX 1 - AUTHORISED AND LICENSED FIRMS OPERATING IN THE QFC AS AT 31 DECEMBER 2010

QFC No.	Firm Name	Legal Status	Date Licenced	Permitted Activity
00064	SNR Denton & Co.	Branch	09/10/2007	Professional Services (Legal)
00066	Industrial and Commercial Bank of China Ltd.	Branch	31/01/2008	Regulated Activities
00067	Zurich International Life Ltd.	Branch	08/11/2007	Regulated Activities
00069	EFG-Hermes Qatar LLC	QFC LLC	13/12/2007	Regulated Activities
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 (Recruitment Consultancy)
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)

ANNEX 1 - AUTHORISED AND LICENSED FIRMS OPERATING IN THE QFC AS AT 31 DECEMBER 2010

QFC No.	Firm Name	Legal Status	Date Licenced	Permitted Activity
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 CAPITAL MARKETS 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	Marsh Brokers Ltd.	Branch	14/09/2008	Regulated Activities
00094	McKinsey & Company, Inc. Qatar	Branch	18/09/2008	Professional Services (Management Consulting)
00095	Citigate Dewe Rogerson Ltd.	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	Professional Services (Consulting)
00098	First Gulf Bank - QFC Branch	Branch	24/11/2008	Regulated Activities
00099	Nexus Financial Services WLL	Branch	30/11/2008	Regulated Activities

ANNEX 1 - AUTHORISED AND LICENSED FIRMS OPERATING IN THE QFC AS AT 31 DECEMBER 2010

QFC No.	Firm Name	Legal Status	Date Licenced	Permitted Activity
00101	Mitsui Sumitomo Insurance Company (Europe) Ltd.	Branch	17/12/2008	Regulated Activities and Professional Services
00102	Dewey & LeBoeuf LLP	QFC LLP	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

ANNEX 1 - AUTHORISED AND LICENSED FIRMS OPERATING IN THE QFC AS AT 31 DECEMBER 2010

QFC No.	Firm Name	Legal Status	Date Licenced	Permitted Activity
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
00118	NYSE Qatar LLC	QFC LLC	04/02/2010	Professional Services (Consulting)
00119	Booz & Company (Qatar) LLC	QFC LLC	07/02/2010	Professional Services (Consulting)
00120	Allen & Overy LLP - QFC Branch	QFC LLC	09/02/2010	Professional Services (Legal)
00121	Kane LLC	QFC LLC	25/08/2010	Regulated Activities and Professional Services
00122	Matrix ME Alignment Fund Management LLC	QFC LLC	18/10/2010	Regulated Activities
00123	Thomson Reuters (Markets) Middle East Ltd. - Qatar Financial Centre Branch	Branch	02/11/2010	Professional Services (Multimedia)
00124	Qatar Finance and Business Academy LLC	QFC LLC	04/11/2010	Business and Professional Education
00125	Michael Page International (UAE) Ltd. - QFC Branch	Branch	28/11/2010	Professional Services (Recruitment Consultancy Services)
00126	QInvest Capital LP	LP	23/12/2010	Operation and Administration of Trusts and Similar Arrangements

Licensed Firms

Number of licensed firms at year-end	2006	2007	2008	2009	2010
Regulated	17	38	57	64	59
Non-regulated	16	30	42	47	45
Total	33	68	99	111	104

- Although there was increased interest from prospective applicants in 2010, firms exhibited a greater degree of caution prior to final commitment
- A number of firms withdrew from the register as the after-effects of the global financial crisis impacted these firms
- However, by end-2010 many new proposals and prior expressions of interest crystallised, resulting in an active caseload of 27 applications
- Notable approvals during 2010:
  - The first captive insurance manager in the QFC
  - The first boutique asset management firm with a focus on property funds

Approved Individuals Carrying Out Controlled Functions

Number of Approved Individuals at year-end	2006	2007	2008	2009	2010
Total	104	312	460	521	501

ANNEX 3 - 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
Governance	• 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 and individuals conducting business in or from the QFC
Authorised Firms	• Number of firms in the QFC as at 31 December 2010: 104 (2009: 111) - 59 Firms providing regulated activities (2009: 64) - 45 Firms providing non-regulated activities (2009: 47)
Authorised Individuals	• Number of authorised individuals as at 31 December 2010: 501 (2009: 521)

Policy Development	Key outcomes in 2010: - Consultation Papers: 8 - Rule Amendments: 7 - Main Rule Amendments: Anti-Money Laundering and Combating Terrorist Financing Rules - Proposals for new regimes for Captive Insurance and Insurance Mediation and Collective Investment Schemes
Enforcement	- Manages all investigations of possible breach of rules and regulations and related enforcement actions. Two significant actions were taken in 2010
International Relations	- Memoranda of Understanding or other arrangements are in place with 19 international regulators, of which 2 were executed in 2010 - Organised and chaired the MENA-OECD Capital Markets Task Force's Roundtable on "Effective and efficient financial Regulation in the MENA Region" in December 2010
Human Resources	Number of employees 106 (2009: 89) - International 90 (2009: 83) - Qatari 16 (2009: 6)
Divisions and Departments	- Authorisation and Supervision - Policy, Enforcement and Risk - General Counsel - Operations (Information Technology, Human Resources, Corporate Communications, Corporate Services) - Finance - Internal Audit

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