QATAR FINANCIAL CENTRE

REGULATORY AUTHORITY

QFC REGULATORY AUTHORITY | ANNUAL REPORT 2011

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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SCAN

CONTENTS

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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.

The last year witnessed both enormous political change in our region and a resurgence in global financial instability, with a particular focus on the deteriorating sovereign debt situation of many developed countries. While Qatar's economy largely escaped any direct impact from these developments, Qatar has a keen interest in monitoring the impact on regional and international economies and in contributing to initiatives that will help stabilise conditions and restore opportunities for growth and development.

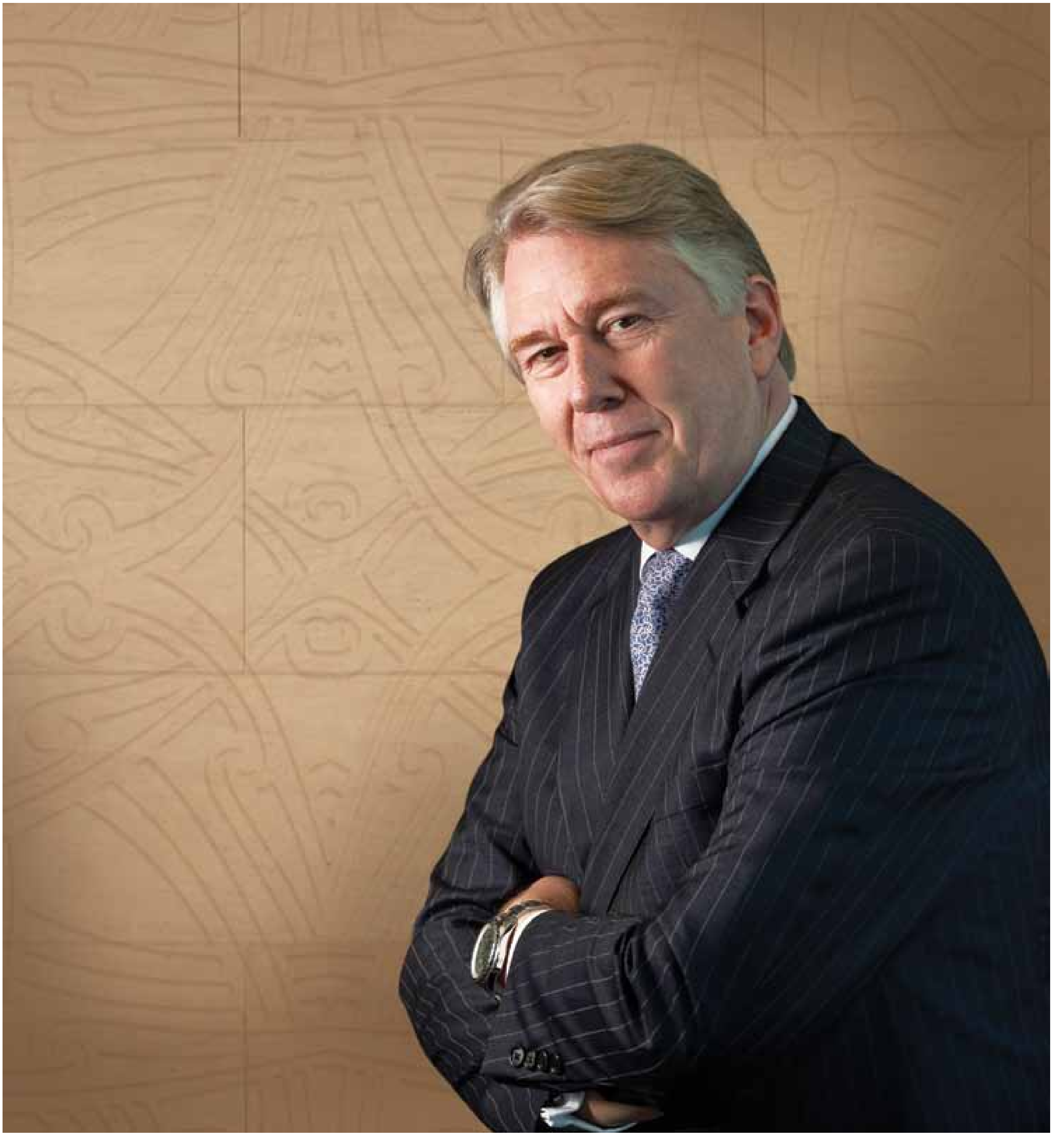
Even with these generally chaotic global conditions, there was continued strong expansion in Qatar's economy in 2011, which has undoubtedly helped underwrite the growing role for Qatar as a proactive member of the international community.

The potential for change created by these conditions also provides an important backdrop for the Qatar Financial Centre (the QFC) and the work of the Regulatory Authority and a useful focus for the three themes I would like to develop in my Statement this year. First, I will look at the implications of the regional transformation and ongoing global economic uncertainty as those factors impact the importance and direction of international regulatory reform. Secondly, I will review the response by the Regulatory Authority to meet some of these challenges. Thirdly, as I have done in previous years, I will seek to set out the key themes of the Regulatory Authority's strategy in the year ahead to support the objectives of Qatar's National Vision 2030.

POLITICAL UNREST AND ECONOMIC UNCERTAINTY

With political unrest sweeping across North Africa and the Middle East, the Euro Zone mired in a sovereign debt crisis and a resurgence of global financial instability and economic hardships, it should come as no surprise that we need to relearn some basic lessons.

Very few predicted the timing of the Arab Spring that swept across North Africa and the Middle East in 2011. Fewer still will know the timing and course of the future political and economic change that it has triggered. In other parts of the world, where job losses and slow or negative economic growth are prime concerns, growing numbers of the disadvantaged or disillusioned have taken to the streets to protest the shortcomings of public sector and private sector policies. The backdrop to these developments has been



PHILLIP THORPE - Chairman

a global economy that continues to underperform. The political uncertainty in the United States, and in the states of Europe around a country's commitment and capacity to redress its fiscal imbalances, has led to renewed dislocations in financial markets.

What do these developments mean for the course of financial regulation in the coming years? The answers may well lie in various lessons we have learnt in the last two or three years. Sadly, these lessons are neither surprising nor novel.

LESSON 1 – GETTING THE FUNDAMENTALS RIGHT

Regulators need to be guided by a principles-based approach that is both internationally accepted and relevant to the local market, underpinned by the fundamentals of transparency, accountability and proportionality.

The global financial crisis that manifested itself in 2008 gave rise to a groundswell of calls by the international community to make sure that such a situation never happens again. The immediate agenda for reform of the international regulatory framework was both ambitious and evolutionary, but has made little progress. On the one hand, the case was overwhelming for much needed urgent action. At the same time, the weak global recovery and unintended consequences of some of the initial proposals weakened the impact and blurred the scope of the new measures. It will be important that efforts that are underway to strengthen the international financial landscape are not further neutralised by delay and dilution. Financial regulatory authorities will need to be guided by a principles-based approach to regulation. These fundamental principles have never changed for regulators, but they sometimes get lost in the complexities and challenges that arise.

Since its commencement in 2005, the Regulatory Authority has sought to establish a strong regulatory framework that promotes internationally accepted principles that are relevant to the local market. As the events of the last few years have illustrated in painful detail, transparency and accountability are fundamental and cannot be compromised. Knowing your industry (that is, being alert to the prudential issues) and knowing your consumers within the industry (understanding business conduct issues) will contribute to proportionate regulation.

LESSON 2 – ENSURING THAT THE PRINCIPLES ARE ADHERED TO

We strengthened our risk-based approach to financial supervision and macro prudential framework. Given the multi-faceted financial regulatory system in Qatar, we will continue to address gaps that arise between the various regulatory frameworks and discourage unauthorised financial activity that has arisen to exploit those gaps.

Any regulatory reform will fall short of meeting its objectives and public expectations if there are not adequate procedures in place to strengthen supervisory practices and respond appropriately with enforcement action when required. Of course, it is essential for regulators to keep abreast of developments in the financial sector and to keep any regime fit-for-purpose in the face of the inevitable evolution and the growth of financial institutions and markets. It is also imperative that evident wrong-doers are identified, prosecuted and punished.

At the Regulatory Authority, we have reinforced and strengthened our risk-based approach to financial supervision and the macro-prudential framework in Qatar. We will continue to approach enforcement matters in a manner that is fair, efficient and transparent. Given the multi-faceted financial regulatory system in Qatar, we will continue to address gaps that arise between the various regulatory frameworks and discourage unauthorised financial activity that has arisen to exploit those gaps.

LESSON 3 – STRENGTHENING GLOBAL AND REGIONAL COOPERATION

As developments in one market can have an impact on other jurisdictions, it is imperative that regulators develop open and rapid channels of communication with one another based on common standards and mutual understanding of when regulatory action must be taken.

Events of late reminded many of us of the enormous benefit of strong communication and international cooperation in the face of a crisis, be they man-made or natural disasters. Interlinkages in the global economy have grown in recent years and developments in one market can have an impact on other jurisdictions in many different ways. Regulators must ensure both tight financial border control and understand the interlinkages between jurisdictions.

The Regulatory Authority has established formal arrangements with many other regulatory entities to foster the exchange of timely information on individual financial institutions. It is also an active participant in the activities of the international regulatory standard setters. This activity will only grow in the coming years given the increasing recognition of all regulators of the benefit of open and rapid communication with one another. It may seem obvious, but it bears repeating: international communication and cooperation can only work effectively where there are common standards between jurisdictions, and a common understanding of when regulatory action must be taken. We are very fortunate that Qatar is a leader in espousing these internationally accepted standards, and is committed to developing open and transparent markets.

FOCUSED IMPROVEMENTS IN 2011

Initiatives undertaken during the year include an expanded asset management regime, a new regime for captive insurance and insurance mediation, a strengthened training and competency regime for authorised firms and approved individuals, an electronic platform for submission of documents, and internally, targeted programmes to attract and develop young Qatari talent.

The Regulatory Authority undertook a number of key initiatives over the last year to build out the regulatory structure of the QFC to address the challenges that have arisen from the need for change in international regulation.

The prudential framework expanded in several areas. In order to support the QFC Authority's "hub" strategy, the Regulatory Authority introduced major changes to its asset management regime and developed a new captive insurance regime. New Insurance Mediation Business Rules were also introduced. In the second half of the year the Regulatory Authority strengthened its training and competency regime by signalling a move from voluntary qualifications and examinations to a new mandatory set of requirements that has come into effect in 2012.

The supervisory framework was expanded to include a focus on macro-prudential risk analysis and another milestone came with the development of a more robust electronic platform for the submission of regulatory documents.

The enforcement of rules is an essential part of any regulatory framework. In 2011, the Regulatory Authority consolidated its existing enforcement practices and policies in a single public document - the Enforcement Policy Statement 2012. This document

Having taken that QFC initiative, the Government has also long recognised the importance of building a single regulatory framework to international standards for the entire State, and it formally announced this strategy in 2007. This is an objective to which the Government remains committed.

provides a transparent overview of the enforcement process that firms can expect from the Regulatory Authority and we hope it will provide a benchmark for other regulatory bodies in Qatar and the region.

The Regulatory Authority also expanded its efforts in international cooperation. It became more active within the IAIS by participating on the reinsurance sub-committee. It also applied to become a signatory to the IAIS multilateral Memorandum of Understanding (MOU). In 2011, MOUs were entered into with the Banking Regulation and Supervision Agency of Turkey and the Reserve Bank of India. Letters of exchange were finalised with the Financial Services Agency of Japan and a Cooperation Agreement was established with the Financial Services Authority of the United Kingdom.

The Qatar Anti-Money Laundering and Combating Terrorist Financing framework has been a unifying issue for all regulators and State Ministries in Qatar over the last year, with continued excellent cooperation among the members of the National Anti-Money Laundering and Combating the Financing of Terrorism Committee (NAMLC). The Regulatory Authority was also pleased to play its part in contributing to the preparation of the follow up report to the Middle East & North Africa Financial Action Task Force (MENAFATF). Qatar received approval of its report and was identified as a model that could be adopted by other MENAFATF countries.

The Regulatory Authority's commitment to recruiting and training Qatari nationals continued in 2011. The graduate fellowship program remains a source of excellent talent with the majority of the individuals graduating from the program taking up full time positions with the Regulatory Authority. The Regulatory Authority also participated in summer internships with both Qatar University and Georgetown University and provided mentors throughout 2011 to Qatar University law students. The Government decision that Qatari nationals working at the Regulatory Authority would have full access to the Qatari pension program was also a very welcome development in 2011.

In 2005, Qatar was the first Middle East country to set up a new financial regulatory framework utilising international standards of regulation, with its own laws drawn from precedents in major market jurisdictions, and with a fully independent regulator, an independent court and an independent tribunal. And all of this "onshore", and part of the fabric of the State of Qatar."

THE WAY FORWARD

There is a saying that "extraordinary challenges bring extraordinary opportunities". They create the necessity to challenge the status quo, the requirement to learn from the past and the opportunity to focus on what is fundamentally important. It takes vision to do this.

As all of us living and working in Qatar know, the Qatar philosophy is to be visionary. Qatar will be the first Middle East country to host the FIFA World Cup in 2022 along with providing the first stadiums in the world with cooling technology. It was the first Middle East country to organise a meeting of the World Petroleum Congress, held in December 2011, and the first Middle East country to host the Asian Games in 2006. Most recently, it has shown itself willing to take an important facilitating role in regional and global political initiatives, particularly and notably in respect of Darfur, Libya and Syria.

Of particular relevance to the financial sector is that Qatar, in 2005, was the first Middle East country to set up a new financial regulatory framework utilising international standards of regulation, with its own laws drawn from precedents in major market jurisdictions, and with a fully independent regulator, an independent court and an independent tribunal. And all of this 'onshore', and part of the fabric of the State of Qatar.

Having taken that QFC initiative, the Government has also long recognised the importance of building a single regulatory framework to international standards for the entire State, and it formally announced this strategy in 2007. This is an objective to which the Government remains committed. The benefits of a single regulator remain considerable, not only to bring consistently high standards across all markets but also to facilitate the development of an efficient and effective financial sector that can support the country's economic diversification. The Regulatory Authority is committed to this very important objective and expects to devote time and resources in 2012, in conjunction with its fellow regulators at the Qatar Central Bank and the Qatar Financial Markets Authority, towards progressing the Government's plans.

Global initiatives to build more resilient financial structures can also be expected to have an influence on the Regulatory Authority's initiatives in the coming year. There is a growing recognition at the global level of the need to be more proactive in building resilience within financial institutions. It will be important to develop frameworks for identifying economic risks to the financial system and the potential impact on individual institutions. The Regulatory Authority knows from its own testing and surveying of institutions that risk identification and risk mitigation are still in their infancy in many Qatar based companies. A sound risk culture needs to be nurtured - one that identifies and quantifies risks and comprises strategies for managing these risks. I am pleased to be able to report that the Regulatory Authority has been able to offer expert resources and substantial experience in this area to its counterparts in the State. As each year passes we hope that we can play an ever-increasing role within Qatar's broadening financial landscape.

In March 2011, Mr. Brian Quinn relinquished his position as a member of the Board of the Regulatory Authority after five years of outstanding service to our organisation. In my roles both as Chairman and CEO of the Regulatory Authority I have received strong support from the members of the Board whose broad international experience, seasoned financial market expertise and dedication to the objectives of the Regulatory Authority have been, and continue to be, an enormous asset. This was nowhere more evident than with Brian Quinn whose independent and insightful advice was the hallmark of his work with us. On behalf of the Board and the staff of the Regulatory Authority I extend my heartfelt thanks and best wishes to Brian.

In October 2011, I stepped down from my role as the Chief Executive Officer, with the intention of continuing for the remainder of my term solely as the Chairman of the Board. I feel very fortunate to have been given the opportunity to contribute as both Chairman and CEO to the organisation which I established in 2005. I also feel fortunate, and after more than six years of performing both roles, a little relieved, to be able to hand over my CEO responsibilities to Mr. Michael Ryan. Mike has been my right hand man over the last two years and I am sure will provide excellent leadership for the Regulatory Authority in the years ahead.

Last and certainly not least, I would like to give recognition to the staff members of the Regulatory Authority for their dedication and hard work over the last year. The Regulatory Authority is only as strong as its people, and on this point in particular, I know that Qatar should be optimistic about our work and contributions to the growth of the country in the coming years.

PHILLIP THORPE
CHAIRMAN

March 2012

HUMAN DEVELOPMENT PILLAR | The first pillar of the Qatar National Vision 2030 is Human Development, aiming at the "development of all its people to enable them to sustain a prosperous society". Accordingly, the Regulatory Authority recruits and develops Qatari nationals at all levels including graduates through the "Graduate Fellowship Programme".

Participation in the Graduate Fellowship Programme has had an enormous impact on my professional development. Having graduated from the Programme in 2010, I am now a Senior Associate in the Regulatory Authority's Policy Team. I am proud of what I have achieved so far and the contribution I make to the work of the Regulatory Authority.

MARYAM MOHAMMED, Senior Associate, Policy & Enforcement

To view
Maryam Mohammed's message,
SCAN

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

ROLE OF THE BOARD

The role of the Board, subject to the QFC Law and other applicable legislation, is to lead the Regulatory Authority. The Board sets the strategic direction for the Regulatory Authority, oversees the executive's conduct of business, sets policies to manage risks to the Regulatory Authority's operations and the achievement of its regulatory objectives and seeks regular assurance that the system of internal control is effective in managing risks in the manner it has approved.

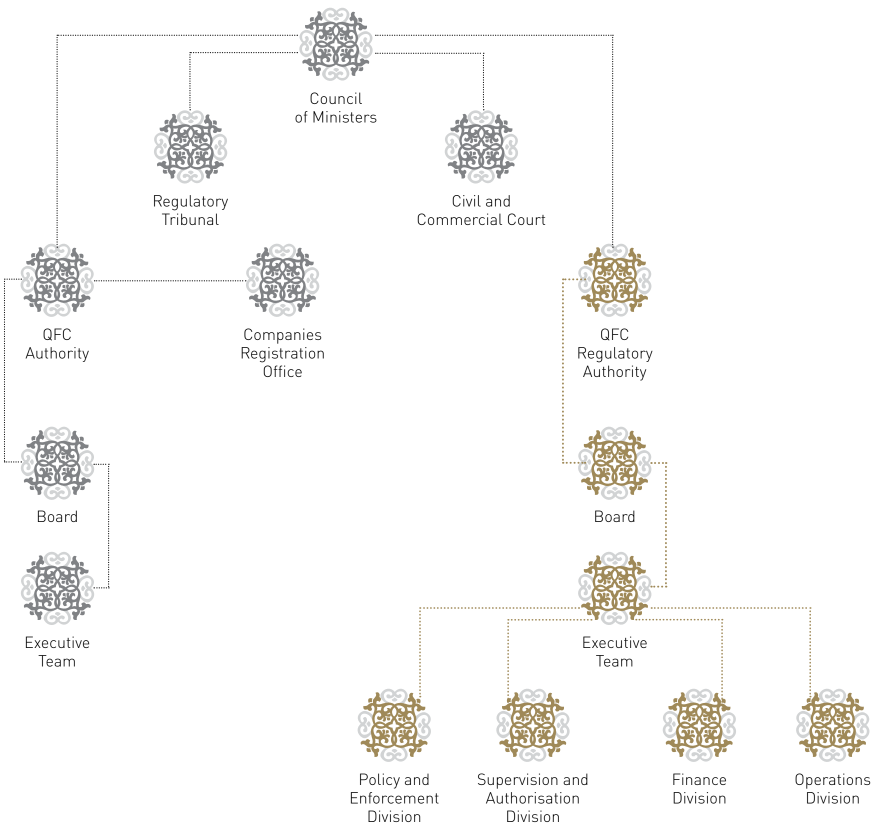
THE BOARD

Board Composition

Board members are required to have significant expertise in the regulation of financial services. Under QFC Law, the Board may have a maximum of six members appointed by the Council of Ministers.

The Chairman, Phillip Thorpe, was appointed in March 2005. The Board's independent and non-executive members during the year ended 31 December 2011 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. Brian Quinn relinquished his position on the Board in March 2011, having completed five years of distinguished service.

GOVERNANCE STRUCTURE



Board Meetings

The Board met four times in person during 2011. All Board meetings and Board committee meetings held during 2011 were attended by all members.

At its meetings, the Board approved a number of rule amendments, considered legislative matters and regulatory policies, decided several enforcement matters and reviewed a number of standing items. The standing items that were reviewed during the year included the annual budget, the audited financial statements, the annual organisational objectives, the quarterly financial reports and the monthly reports to the Board.

The most significant policy matters considered by the Board in 2011 were in relation to the regulation of Captive Insurers, Captive Managers and Insurance Intermediaries, the development of a revised regulatory regime for Training and Competency in the QFC, a review of the enforcement process and the development and publication of a Guide to Corporate Governance for QFC Authorised Firms. The Board also considered the policy and procedures relating to the authorisation of Branches in the QFC.

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. The committees of the Board review matters under their Terms of Reference and make recommendations and provide reports to the Board on such matters. Additional committees may be established if required by the Board.

Audit and Risk Committee

The Audit and Risk Committee (ARC) comprises three non-executive directors, namely Robert O'Sullivan (ARC Chairman), Andrew Sheng and Jean-Francois Lepetit.

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 duly appointed external audit firm of the Regulatory Authority;
- the effectiveness of the internal controls framework; and
- business continuity and disaster recovery plans.

The ARC met four times during 2011, supplemented by exchanges of information between meetings. The Head of Internal Audit and the Head of Risk attended those meetings and members of the executive team attended by invitation. All matters of significant discussion were reported to the Board and minutes of all ARC meetings were provided to the Board.

The ARC continues to oversee the arrangements for business continuity and disaster recovery planning of the Regulatory Authority. Significant enhancements were made in 2011 to further improve performance and accessibility. A comprehensive business continuity test was successfully carried out during the year. An independent assessment is planned for 2012 to identify gaps and improve current capability.

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

Nominations and Remuneration Committee

The Nominations and Remuneration Committee (NRC) comprises Jean-François Lepetit (NRC Chairman), Andrew Sheng and Phillip Thorpe. The CEO and Head of Human Resources attend NRC meetings by invitation.

The principal areas of focus of the NRC include the consideration and delivery of recommendations to the Board 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 2011. The NRC's agenda includes matters relating to human resources policies and the remuneration of staff. At each meeting, the NRC is provided with an update on human resource matters including progress on the recruitment and training of Qatari nationals.

Board Internal Evaluation

The Board continued its practice of undertaking a self-assessment exercise in 2011, 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 2012.

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

PHILLIP THORPE

Phillip 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, he was appointed CEO of the Hong Kong Futures Exchange. Other positions 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, he 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 assuming office at the Regulatory Authority as Chairman and CEO in 2005.

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.

TAN SRI ANDREW SHENG PSM

Tan Sri Andrew Sheng has held senior positions with Bank Negara Malaysia, the World Bank and the Hong Kong Monetary Authority. He was Chairman of the Hong Kong Securities and Futures Commission for seven years. He has chaired the Technical Committee of the International Organization of Securities Commissions (IOSCO), various committees of the Financial Stability Forum and the Group of 22 Finance Ministers and Central Bank Governors. He was appointed President of the Fung Global Institute, Hong Kong in August 2011. His other appointments are Adviser to the China Banking Regulatory Commission and non-executive director of Khazanah Nasional Berhad in Malaysia. He was conferred the award of Panglima Setia Mahkota (PSM), which carries the title 'Tan Sri', in June 2010 by His Majesty the King of Malaysia.

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.

SOCIAL DEVELOPMENT PILLAR |

The second pillar of the Qatar National Vision 2030 is Social Development, which promotes the "development of a just and caring society based on high moral standards and capable of playing a significant role in the global partnership for development". The Regulatory Authority contributes to the economic and social development of Qatar by supporting the community through technical seminars, lectures, classes in Qatari universities and the INJAZ programme.

I thoroughly enjoy engaging with students as part of our educational outreach activities such as the INJAZ programme and university lectures. I am glad to have the opportunity to contribute to the training and development of the younger generation – it is very rewarding.

ANDRE GELINAS, Associate Director, Office of the General Counsel

To view
Andre Gelinas's message,
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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, CEO and the heads of the three Regulatory Authority divisions: the Managing Director Policy and Enforcement; Managing Director, Supervision and Authorisation and the Chief Financial Officer. Each team member has extensive experience of working in the financial services sector and in regulation.

01. PHILLIP THORPE
CHAIRMAN

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

02. MICHAEL RYAN
CHIEF EXECUTIVE OFFICER

Michael 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. ERROL KRUGER

MANAGING DIRECTOR, SUPERVISION AND AUTHORISATION

Errol Kruger was appointed as Managing Director, Supervision and Authorisation on 1 August 2011. He has over 34 years of financial services regulatory experience gained with the South African Reserve Bank, where for more than two decades he focused on supervisory matters in senior level appointments as General Manager, Registrar of Banks and Head of Bank Supervision.

Errol has helped shape the future of financial services regulation, first serving on the Core Principles Liaison Group, a sub-committee of the Basel Committee on Banking Supervision, from 2003-2009 (aka, International Liaison Group, since 2007) then since 2009, representing his country as a full member of the Basel Committee on Banking Supervision.

04. GEORGE PICKERING

MANAGING DIRECTOR, POLICY AND ENFORCEMENT

George Pickering's regulatory and financial markets' experience spans over 30 years. In his most recent role, he was 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.

George 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. He 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

Jay Perumal joined the Regulatory Authority from the Dubai Financial Services Authority where he was CFO. Prior to this role, he held senior finance positions in both Canada and Hong Kong. He has over 25 years of industry experience which includes international assignments with 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).

As a member of the Anti-Money Laundering and Combating Financing of Terrorism (AML/CFT) team, I am committed to creating an environment that is free from all forms of financial crime. I believe that my work with the Regulatory Authority contributes to strengthening the financial services environment in Qatar, providing real Anti-Money Laundering/Combating of Financial Terrorism benefits and awareness.

ECONOMIC DEVELOPMENT PILLAR |

Economic Development stands as the third pillar of the Qatar National Vision 2030, which encourages the "development of a competitive and diversified economy capable of meeting the needs of and securing a high standard of living for all its people for the present and for the future". The Regulatory Authority contributes through the ongoing development of the financial sector in Qatar.

MOHAMMED GHULAM, Associate, Supervision & Authorisation

To view
Mohammed Ghulam's message,
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The year 2011 proved to be an eventful one outside of Qatar as a result of renewed uncertainty for the global economy and political change in the region. Many Western economies struggled with weak economic growth and rising debt, while many countries in the Middle East and North Africa faced political unrest. Against this background, Qatar remained politically stable and continued to enjoy strong economic performance.

The Regulatory Authority remained focused throughout the year on its key objectives. It continued to ensure that supervised institutions in the QFC adhered to safe and sound practices and complied with all relevant laws and regulations. It undertook several initiatives to keep the QFC regulatory regime aligned with developments in international standards and to attract high quality institutions to establish in the QFC. In meeting its objectives, the Regulatory Authority played a key role in helping Qatar build a strong and diversified economy and a sustainable financial services industry in the country.

GROWING THE QFC

The number of licensed firms in the QFC grew by 18.3% to reach 123, of which 64 are authorised to conduct regulated activities. The population of approved individuals increased by 12% to 561 during the year.

With the continued growth of the Qatar economy, political stability and the planned government spending on infrastructure projects over the coming years, it is anticipated that the number of firms and the level of activity will expand in the QFC. In particular, the insurance market in Qatar is expected to broaden and deepen providing greater opportunities for QFC firms offering general and life insurance as well as Takaful products.

The QFC Law provides for a broad range of activities (Permitted Activities) to be conducted in or from the QFC. These activities are most commonly recognised as either constituting financial services (Regulated Activities), or professional services such as legal or accounting services found in support of financial services businesses and related corporate entities such as holding companies (Non-Regulated Activities).

Firms seeking to conduct either type of Permitted Activity require a licence from the QFC Authority (QFCA) and need to establish a legal presence in the QFC by incorporating or registering a branch with the Companies Registration Office (CRO). Firms seeking to conduct Regulated Activities also require authorisation to be granted by the Regulatory Authority. Applications of all types are presently handled by the Regulatory Authority. The Regulatory Authority has the responsibility to carefully assess applications from firms seeking authorisation to undertake Regulated Activities in the QFC and additionally to assess those firms seeking a licence to undertake Non-Regulated Activities in its capacity as the administrator of the licensing process on behalf of the QFCA. The Regulatory Authority also assesses individuals seeking approval to perform controlled functions within authorised firms and conducts assessments of applications for approved auditor status on behalf of the CRO. During the application process, staff from the Regulatory Authority also provide an interface between applicants and the CRO in respect of their registration or incorporation in the QFC.

In processing and assessing applications from firms seeking authorisation, the Regulatory Authority determines whether an applicant meets minimum criteria (having regard to the principles of best practice set down by the Basel Committee on Banking Supervision and the IAIS. An initial risk assessment, in respect of an applicant's capacity and ability to comply with the continuing obligations of an authorised firm, forms an integral part of the overall authorisation process.

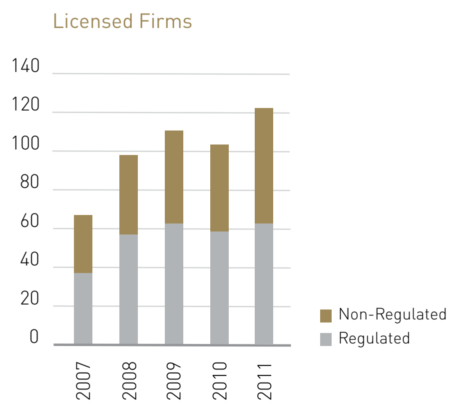
During 2011, a total of 22 new licences were granted (including both Regulated Activities and Non-Regulated Activities), compared to nine in 2010. There were also three withdrawals during the year, resulting in a net increase of 19 licensed firms. As at the end of 2011, there were 123 firms licensed in the QFC, compared to 104 at the end of 2010, an increase of 18.3%. Details of the 123 licensed firms (of which 64 are authorised to conduct Regulated Activities) are provided in Annex 1.

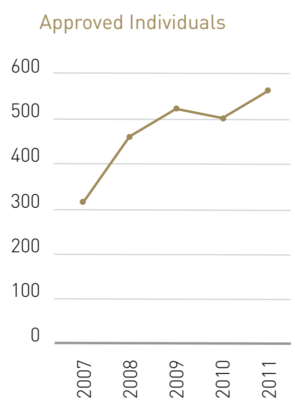
There was a notable increase in applications from entities of Gulf Cooperation Council (GCC) countries during the year, evidenced by the 5 licences granted to banks, insurers or asset management companies originating from Qatar as well as other Gulf States.

During the year, 361 applications were processed in connection with individuals seeking approval to conduct a controlled function within authorised firms. Such applications range from approvals to withdrawals and modifications of certain statutory requirements. The total population of approved individuals at the end of the year was 561, a 12% increase on the 2010 figure of 501.

A five-year summary indicating the number of licensed firms and approved individuals is provided in Annex 2.

By the end of 2011, the total assets of QFC banking institutions grew 77% to reach a total of USD 5,859 million (compared with USD 3,312 million in 2010), with substantial year-on-year increases in deposits, loans and advances and other assets. Total off-balance sheet assets of these institutions however decreased by 16% to USD 1,817 million as of 31 December 2011 (compared with USD 2,159 million in 2010).





> The Regulatory Authority remained focused throughout the year on its key objectives. It continued to ensure that supervised institutions in the QFC adhered to safe and sound practices and complied with all relevant laws and regulations.

BUILDING ON OUR REGULATORY FRAMEWORK

We introduced rule changes following active consultation with authorised firms, undertook thematic assessments in the context of global and regional developments and strengthened our capabilities on AML/CFT which received MENAFATF recognition.

Delivering effective regulation

The Regulatory Authority is committed to pursuing a risk-based approach to supervision that involves monitoring of financial information and regular on-site and off-site risk assessments. The Regulatory Authority continued to be guided in its work by the various international supervisory standards set out by the Basel Committee on Banking Supervision, the IAIS and International Organisation of Securities Commissions (IOSCO) .

Over the last year, the Regulatory Authority met with groups of authorised firms to promote open dialogue on regulatory initiatives and shaping the regulatory agenda. The firms actively participated in these meetings that helped influence the design of rule changes. These meetings serve to strengthen the on-going bilateral discussions that supervisory staff have as part of the formal supervisory regime.

In addition, thematic assessments were undertaken through the year. These assessments placed particular emphasis on each institution's management of risks arising from the ongoing global financial uncertainty and regional political developments. A thematic review of intermediaries selling long-term insurance contracts was also undertaken in order to assess standards against best practice. The main finding of this review was that some intermediaries need to improve their suitability of advice documentation so as to clearly support client product recommendations.

The Regulatory Authority continued to expand its supervisory framework with greater focus on macro-prudential risk analysis. The timeliness and reliability of firm specific data were also enhanced through the development of a more robust electronic platform for the submission of regulatory documents, which was implemented in April 2011.

During 2011, a self-assessment was undertaken by the Regulatory Authority against the Basel Core Principles for Effective Banking Supervision. A self-assessment was also undertaken against the revised Insurance Core Principles (ICPs) of the IAIS. The results

For updated information about AML

SCAN

of these self assessments and the ongoing changes in international regulatory standards will shape the work programme of the Regulatory Authority for 2012 and beyond.

Combating financial crime

The Regulatory Authority, while promoting the QFC as a centre for fair and ethical business, also has a statutory objective to minimise the extent to which firms can be used in connection with any type of financial crime. In keeping with its anti-money laundering (AML) and combating the financing of terrorism (CFT) objectives, the Regulatory Authority maintains a dedicated unit for this purpose.

The capabilities of the AML/CFT unit were strengthened in order to better monitor risks arising from financial crime, to set the agenda for enhanced AML/CFT supervision of firms and to continue the process of effective implementation of the AML/CFT law and rules.

Under the auspices of NAMLC, the Regulatory Authority has continued to work closely with other State AML/CFT agencies in further developing harmonised AML/CFT rules in line with the State Law and Financial Action Task Force (FATF) standards. This work has demonstrated Qatar's ability to utilise its AML expertise in a determined and coordinated manner to address AML/CFT threats.

The Regulatory Authority contributed to Qatar's on-going engagement with international standard setting bodies, including the MENAFATF. Qatar continues to receive positive recognition of its AML/CFT framework, which has been identified by MENAFATF as a model that could be adopted by other MENAFATF member countries. As a consequence, Qatar has been moved from an annual to a biennial reporting cycle.

The Regulatory Authority actively participates in the activities of NAMLC. In 2012, it is expected that the areas that will receive further attention will include engagement with Government departments and agencies to pursue the manner in which the standards on AML/CFT can be more effectively implemented by those departments and agencies. There will also be an increasing focus on delivering a risk-based approach to managing the threat from money laundering and terrorist financing.

AN EXPANDED REGIME FOR ASSET MANAGEMENT

We broadened the regime for asset management by launching a revised collective investment schemes regime in January 2011, published a guide in April 2011, and conducted briefing sessions for firms and Government agencies throughout the year.

As part of its support for the QFC strategy to promote Qatar as a regional and international asset management hub, the Regulatory Authority launched its revised collective investment schemes regime in January 2011. The new regime is contained in the Collective Investment Schemes Rules 2010 and the Private Placement Schemes Rules 2010.

The new regime broadened the permitted investor base to include retail investors and expanded the range of asset management schemes that may be undertaken. Throughout 2011, the Regulatory Authority expanded its engagement with prospective and existing asset management firms and with Government agencies tasked with developing asset management business. It held a number of briefing sessions for the asset management firms in the QFC and introduced a more streamlined approach to authorisation and supervision. The Regulatory Authority participated in several seminars and international conferences to promote a better understanding of the new regime.

In support of this initiative, the Regulatory Authority published 'A Guide to the QFC Collective Investment Schemes Regime' in April 2011.

A NEW REGIME FOR CAPTIVE INSURANCE AND INSURANCE MEDIATION

Following a review of best practice and public consultation, we launched a new regulatory regime for captive insurance and insurance mediation in July 2011 and published a guide in October 2011.

The Regulatory Authority launched a new regulatory regime for captive insurance business and insurance mediation in July 2011. The new insurance regime is contained in the Captive Insurance Business Rules 2011 (CAPI) and Insurance Mediation Business Rules 2011 (IMEB).

The new regime was implemented following a thorough review of best practice among regulators with an active captive insurance industry and a public consultation process with stakeholders in Qatar. The new regulatory regime permits the establishment of protected cell companies as captive insurers. It also creates captive insurance management as a new regulated activity in the QFC, and specifies that only captive managers authorised by the Regulatory Authority may manage QFC-based captives. The risk-based prudential requirements embedded in CAPI and IMEB follow international best practice as they are similar to those used in other leading jurisdictions. The Regulatory Authority has also implemented a customised application procedure to facilitate an efficient authorisation process of captive insurers in the QFC.

These activities culminated with the Regulatory Authority publishing 'A Guide to the QFC Captive Insurance Regime' in October 2011.

TRAINING AND COMPETENCY REGIME

To improve the protection afforded to customers we developed an enhanced training and competency regime for authorised firms and approved individuals that will be rolled out in 2012.

The Regulatory Authority developed an enhanced training and competency regime during the year as part of its commitment to maintaining and strengthening professional standards within firms operating in or from the QFC. The new regime, which will be phased in over a 12-month period beginning in January 2012, introduces best international practice requirements for professional standards examinations and continuing professional development, and applies to all authorised firms and approved individuals of the QFC. The regime also places significant importance on the further improvement and strengthening of professional training and qualifications, which underpin the provision of competent professional financial services and serves to ultimately protect customers of financial institutions.

INTERNATIONAL COLLABORATION

While strengthening our ties with IAIS we further expanded our relationships with foreign standard setting bodies through MOUs and Letters of Exchange.

The Regulatory Authority expanded its cooperative relationships with standard setting bodies and other regulators throughout the year.

As part of this strategy, the Regulatory Authority strengthened its engagement with the IAIS in 2011. This was achieved through its membership on the IAIS reinsurance sub-committee. The Regulatory Authority also continues to monitor the IAIS's Common Framework Project and Solvency 2, as well as other international developments, to help ensure that its rules, supervisory processes and practices continue to meet latest international best practice.

During 2011, MOUs were signed with the Banking Regulation and Supervision Agency of Turkey and the Reserve Bank of India which will serve to develop closer ties and cooperation with respect to the supervision of QFC financial institutions. Letters of Exchange were also concluded with the Financial Services Agency of Japan during the annual Qatar-Japan Joint Economic Committee visit to Japan, and a Cooperation Agreement was established with the Financial Services Authority of the United Kingdom.

In addition, the Regulatory Authority has existing MOUs with the Bahrain Monetary Authority, Bank Negara Malaysia, Banking Control Commission Bank of Lebanon, Capital Markets Authority of Oman, Central Bank of Ireland, Central Bank of Jordan, China Banking Regulatory Commission, Commission Bancaire of France, Dubai Financial Services Authority, Financial Supervisory Commission of the Republic of Korea, German Federal Financial Supervisory Authority, Isle of Man Financial Supervision Commission, Isle of Man Insurance and Pensions Authority, Jersey Financial Services Commission, Monetary Authority of Singapore, Office of the Comptroller of the Currency (USA), State of Delaware Department of Insurance and the Swiss Federal Banking Commission.

For updated information about International Collaboration

SCAN

"The Regulatory Authority continued to expand its supervisory framework with greater focus on macro-prudential risk analysis. The timeliness and reliability of firm-specific data were also enhanced through the development of a more robust electronic platform for submission of regulatory documents, which was implemented in April 2011."

DEVELOPING STAKEHOLDER ENGAGEMENT

We maintained active dialogue with Government agencies and market participants, and enhanced our outreach programmes with local universities.

The Regulatory Authority continued to maintain a close and active working relationship with the Qatar Central Bank, the Qatar Financial Markets Authority and the Ministry of Business and Trade throughout the year. This close working relationship continues to enable us to share expertise and best practices amongst the regulatory community in Qatar.

The Regulatory Authority further enhanced its outreach program to universities in Qatar by providing various learning opportunities to students from Qatar University and Georgetown University in Qatar through summer internships and workplace experience. In 2011 seven students from these universities joined the Regulatory Authority for a five week internship. Additionally, staff from the Regulatory Authority presented to Qatar University Law School students on various regulatory topics and participated in the mentoring of law students.

ENHANCING ENFORCEMENT

Existing policies and practices were simplified and consolidated into a single 'Enforcement Policy Statement 2012' that became effective in January 2012.

While contraventions of its rules and regulations are rare, an effective regulatory regime requires the Regulatory Authority to take appropriate enforcement action when breaches occur. Adopting a risk-based approach to regulation, the Regulatory Authority exercises its enforcement powers proportionately, i.e. in a manner which focuses on identifying and addressing those matters which pose the greatest risk to the regulatory objectives.

As part of its objective to discharge its duties in a fair and transparent manner, the Regulatory Authority consolidated its existing enforcement policies and practices in a single public document - the 'Enforcement Policy Statement 2012' - which came into effect on 1 January 2012. The new policy incorporates the Regulatory Authority's previous policy on financial services and public censures, namely the Financial Services (Financial Penalties and Public Censures) Policy 2009. The new Enforcement Policy Statement simplified the enforcement process in certain areas, for example, by the introduction of administrative fees in dealing with late notifications and the filing of reports. The document benefited from inputs from a large number of stakeholders in Qatar, and will enable those subject to enforcement action to understand better the approach taken by the Regulatory Authority.

Since the launch of the Regulatory Authority in 2005, there has been an expansion in the number of firms operating in the QFC and the level of their activity, and correspondingly an increase in the number of enforcement actions. When the Regulatory Authority undertakes any formal enforcement action, it publicises its decisions on its website.

The Regulatory Authority strives to work proactively with firms in order to resolve matters in a manner that is timely, appropriate and proportionate.

DEVELOPING OUR HUMAN CAPITAL

We continued to develop Qatari talent through our successful Graduate Fellowship Programme, which is a 12-month interactive learning experience that prepares graduates for a career in financial regulation.

In keeping with its commitment to maintaining a world-class working environment, the Regulatory Authority continued to build a strong team with diverse local and international backgrounds. Current staff comprise individuals with extensive regulatory and industry experience gained in various jurisdictions of the world, including Australia, Bermuda, Canada, France, the GCC, Ireland, South Africa, the UK and USA. Additionally, staff continued to maintain professional certifications and develop expertise by participating in seminars and meetings in areas of risk management, Islamic finance, corporate governance, AML and insurance.

The Regulatory Authority is committed to building a sustainable workforce through the employment and development of Qatari nationals who will shape the future of financial services in the country. In line with the Human Development Pillar of the Qatar National Vision 2030, the Regulatory Authority continues to contribute to the development of Qatari talent in the financial services sector through a comprehensive Graduate Fellowship Programme (GFP).

The GFP is a tailor-made programme for highly motivated Qatari nationals who have recently earned an undergraduate degree. The programme offers first-hand experience in working as a regulator in a world-class regulatory organisation, under the guidance of an expert personal mentor. Participants also attend external training and internal structured development activities to prepare for an ongoing career with the Regulatory Authority and to contribute to the broader financial services sector in Qatar.

During the 12-month programme, participants progress through the operational functions of one of the core regulatory divisions (Supervision and Authorisation, or Policy and Enforcement) to gain work experience and develop a deeper understanding of those functions. Participants are guided through this process by personal mentors with international regulatory experience.

Throughout the programme learning is supported with an e-Learning platform which ensures that regulatory concepts and skills are effectively acquired and reinforced. Additionally, participants are enrolled in certification programmes that enhance their regulatory, compliance, or legal competencies.

Since its inception in 2007, 17 talented Qataris have participated in the GFP programme, and the number of new candidates has grown year on year.

A fundamental commitment to the GFP runs throughout the organisation, as evidenced by the personal attention devoted by the Board and the executive and the continued investment in the programme and its participants. The GFP is a central component of a broader culture of knowledge sharing and mentoring at the Regulatory Authority.

LEVERAGING TECHNOLOGY

Following the successful roll out of our e-submission system, we will next develop a suite of e-business solutions that will further facilitate operational excellence at all levels.

The Regulatory Authority successfully implemented its e-submission system on 1 April 2011. This allows authorised firms to submit securely various regulatory documents and related information, including regulatory returns and requests to register, modify and withdraw various controlled functions performed by approved individuals.

The introduction of the electronic platform for the submission of regulatory documents is the first step in a suite of business initiatives designed by the Regulatory Authority to facilitate operational excellence by enabling technology for the core business processes and eliminating data and process redundancies. This initiative, coupled with the capability to capture data systematically, will lead to significant enhancements in the Regulatory Authority's analytical and predictive modelling capabilities across the spectrum of its authorised firms.

Over 700 prudential reports were submitted electronically during the year. Of the 361 applications processed in connection with individuals seeking approval to conduct controlled functions within firms, 255 were received in electronic format. Over the coming year, the Regulatory Authority plans to enhance and develop this online capability further with the addition of other regulatory forms to the existing platform.

In Qatar, we have been given a very generous land, that has contributed to our economy and fast growth. The least we can do in return is to keep it clean and healthy. Here at the Regulatory Authority, we are keen on the protection of the environment: we use energy saving bulbs, paper recycling schemes and we try our best to automate routine tasks to save paper.

ENVIRONMENT DEVELOPMENT PILLAR

The fourth pillar of the Qatar National Vision 2030 is Environmental Development based on the "management of the environment such that there is harmony between economic growth, social development and environmental protection". The Regulatory Authority is committed to protecting and preserving the environment for future generations and takes its responsibility seriously.

FATMA AL MEER, Senior Associate, Management Accounting

To view
Fatma Al Meer's message,
SCAN

FINANCIAL REVIEW

As an independent regulator we strive to deliver results that meet international best practice, while being mindful of our mandate and accountability from a national perspective.

The Regulatory Authority is funded by the State of Qatar based on the annual budget approved by the Board of the Regulatory Authority. The independence of the Regulatory Authority is further enhanced by the retained earnings and reserves amounting to USD 27.25 million, which are managed to ensure that sufficient funding is available at all times to meet its regulatory objectives. These reserves are invested in short-term bank deposits with maturities matching the Regulatory Authority's future cash flow requirements.

The Regulatory Authority's income and expenditure is monitored against the approved budget. Management Accounts are presented to the Board at each quarterly Board meeting and variances, if any, are explained. Overall costs for 2011 were below budget although, during the year, funds were reallocated from the budget to meet unbudgeted legal costs pertaining to on-going enforcement actions.

Gross income, excluding financial penalties, increased marginally. Fee income increased by USD 87,000 but, due to the lower interest rates on bank deposits prevailing in the domestic market, other income decreased by USD 29,000. Financial penalties levied by the Regulatory Authority in 2011 were USD 82,000 compared to USD 706,000 in 2010.

Total expenditure increased by 8.9% to USD 30.66 million mainly due the increase in staff costs, including recruiting and retaining Qatari national staff, which was notably successful in 2011. Net expenditure was USD 2.27 million below the government budget appropriation of USD 29.5 million. In accordance with Article 14 of the Qatar Financial Centre Law No. 7 of 2005, the Board of Directors resolved to retain this surplus as part of the transfer to the General Reserve.

INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS

To

The Board of Directors
Qatar Financial Centre Regulatory Authority
Doha, State of Qatar

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 2011, and the statements of activities, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Responsibility 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 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.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 the Directors, 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 2011, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on other legal and regulatory requirements

We have obtained all the information and explanations which we consider necessary for the purpose of our audit. The QFC Regulatory Authority has maintained proper accounting records and the financial statements are in agreement therewith. We are not aware of any violations of the applicable provisions of 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 or its financial position as at 31 December 2011.

KPMG
04 March 2012
Doha
State of Qatar

STATEMENT OF FINANCIAL POSITION *[As at 31 December 2011]*

	Note	2011 USD '000	2010 USD '000
ASSETS			
Non-current assets			
Intangible assets	5	409	477
Furniture and equipment	6	444	669
Total non-current assets		853	1,146
Current assets			
Accounts receivable and prepayments	7	1,966	1,660
Cash and bank balances	8	31,161	27,698
Total current assets		33,127	29,358
Total assets		33,980	30,504
EQUITY AND LIABILITIES			
Equity			
General reserve	2&9	22,651	17,651
Retained surplus	2&9	4,597	7,325
Total equity		27,248	24,976
Current liabilities			
Accounts payable and accruals	10	6,732	5,528
Total current liabilities		6,732	5,528
Total equity and liabilities		33,980	30,504

The financial statements of the QFC Regulatory Authority for the year ended 31 December 2011 were authorised by the Board of Directors on 04 March 2012.

PHILLIP THORPE
CHAIRMAN

JAY PERUMAL
CHIEF FINANCIAL OFFICER

The accompanying notes 1 to 17 form an integral part of these financial statements.

STATEMENT OF ACTIVITIES *[For the year ended 31 December 2011]*

	Note	2011 USD '000	2010 USD '000
Income			
Fee income		2,281	2,194
Financial penalties		82	706
Other income	11	1,025	1,054
Total income		3,388	3,954
Expenses			
Salaries and other related costs		(25,890)	(23,558)
General and administrative expenses	12	(4,121)	(3,936)
Board of Directors expenses		(651)	(659)
Total expenses		(30,662)	(28,153)
Excess of expenses over income for the year before appropriations		(27,274)	(24,199)
Appropriations from the Government		29,546	28,912
Surplus for the year		2,272	4,713

The accompanying notes 1 to 17 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY *[For the year ended 31 December 2011]*

	General reserve USD '000	Retained surplus USD '000	Total USD '000
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
Balance at 1 January 2011	17,651	7,325	24,976
Surplus for the year	–	2,272	2,272
Transfer of surplus to general reserve	5,000	(5,000)	–
Balance at 31 December 2011	**22,651**	**4,597**	**27,248**

The accompanying notes 1 to 17 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS *[For the year ended 31 December 2011]*

	Note	2011 USD '000	2010 USD '000
Cash flows from operating activities			
Excess of expenses over income for the year		(27,274)	(24,199)
Adjustments for:			
Amortisation of software costs	5	194	44
Depreciation	6	398	614
Write-off of capital work in progress		21	–
Impairment of doubtful debts	7	5	–
Gain on sale of furniture and equipment		(3)	–
Interest income	11	(820)	(1,054)
Operating loss before working capital changes		(27,479)	(24,595)
Changes in working capital			
Accounts receivable and prepayments		(311)	726
Accounts payable and accruals		1,204	(1,407)
		(26,586)	(25,276)
Interest received	11	820	1,054
Net cash (used in) operating activities		(25,766)	(24,222)
Cash flows from investing activities			
Software development costs	5	(126)	(521)
Purchase of furniture and equipment	6	(197)	(409)
Proceeds from sale of furniture and equipment		6	–
Net cash (used in) investing activities		(317)	(930)
Cash flows from financing activities			
Appropriations from the Government	2	29,546	28,912
Net cash generated from financing activities		29,546	28,912
Increase in cash and cash equivalents		3,463	3,760
Cash and cash equivalents at the beginning of the year		27,698	23,938
Cash and cash equivalents at the end of the year	8	31,161	27,698

The accompanying notes 1 to 17 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 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, the independent regulatory body, regulates, licenses and supervises financial services and other firms that conduct activities in, or from, the Qatar Financial Centre. The registered office of the QFC Regulatory Authority is located at 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 year, the Government provided the QFC Regulatory Authority with appropriations amounting to USD 29,546,033 (2010: USD 28,912,333). 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.

During the year ended 31 December 2011, USD 5,000,000 (2010: USD 5,000,000) has been transferred from the previous year's retained surplus to the general reserve account. Any 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 applicable requirements 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 (USD), 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 USD at the exchange rate of 3.645 Qatari Riyals to USD and all financial information presented in USD has been rounded to the nearest thousand USD.

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 16.

4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and methods of computation adopted in the preparation of the annual 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 QFC Regulatory Authority has both the resources and intent to complete its development and ability to use it upon completion. In addition, costs are only capitalised if the asset can be separately identified, it is probable that the asset will generate future economic benefits, and that the development cost of the asset can be measured reliably.

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

Intangible assets are carried at cost less accumulated amortisation and impairment losses. 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.1 Intangible assets (continued)

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.

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.

Capital work in progress

The costs of capital work in progress are measured at cost less impairment loss. Cost includes the cost of materials and direct labour, and any other costs directly attributable to bringing the assets to a working condition for its intended use and the cost of dismantling and removing any items and of restoring the site on which they were located. The furniture and equipment in the course of construction is transferred to the relevant furniture and equipment category when it is complete. The furniture and equipment are considered complete when they are ready for intended use.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.2 Furniture and equipment (continued)

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.

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

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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.3 Non-derivative financial instruments (continued)

Impairment of financial assets (continued)

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.

4.4 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 costs

Consequent to the Council of Ministers decision no. (11) of 2011, regarding the application of the provisions of the Retirement and Pension Law no. (24) of 2002 (the Law), for all Qatari employees of the QFC Regulatory Authority, the

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.5 Retirement benefit costs (continued)

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 QFC Regulatory Authority's Financial Services (Financial Penalties and Public Censures) Policy 2009.

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

4.8 Interest income

Interest income is recognised on 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 that are effective on or after 1 January 2011

(i) IAS 24 (Revised) 'Related party disclosures'

The revised standard was issued in November 2009. 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.

The adoption of the revised standard did not have any significant impact on the related party disclosure of the QFC Regulatory Authority.

(ii) 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. Except for the amendments to IFRS 7 – which mainly apply to Banks and Financial Institutions, there were no significant changes to the current accounting policies of the QFC Regulatory Authority as a result of these amendments.

Improvements to IFRSs 2010 - IFRS 7 Financial Instruments: Disclosures

The amendments add an explicit statement that qualitative disclosure should be made in the context of the quantitative disclosures to better enable users to evaluate an entity's exposure to risks arising from financial instruments. In addition, the IASB amended and removed existing disclosure requirements.

New standards, amendments and interpretations issued but not yet effective

The new standards, amendments to standards and interpretations which have been issued but are not yet effective for the year ended 31 December 2011 have not been applied in preparing these financial statements:

(i) IAS 1 (amendment) - Presentation of items of other comprehensive income

The amendments to IAS 1 require that an entity present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The amendment is effective for annual periods beginning on or after 1 July 2012 with an option of early application.

The application of this amendment is not expected to have a significant impact on the financial statements of the QFC Regulatory Authority.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.11 Standards, amendments and interpretations issued (continued)

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

(ii) IAS 32 (amendment) – Presentation

The amendments clarify the offsetting criteria in IAS 32 to address inconsistencies in their application. An entity currently has a legally enforceable right to set-off if that right is:

- not contingent on a future event; and
- enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counter parties.

The amendments are effective for annual periods beginning on or after 1 January 2014. Earlier application is permitted if the QFC Regulatory Authority also makes the disclosures required by the amendments to IFRS 7. These amendments are to be applied retrospectively.

The QFC Regulatory Authority does not expect any significant impact on the financial statements on adoption of these amendments.

(iii) IFRS 7 (amendment) – Disclosures: Transfer of financial assets

The amendments to IFRS 7 introduce new disclosure requirements.

Transfer of financial assets

Transfers of financial assets are required to be disclosed including disclosures for financial assets that are not derecognised in their entirety; and financial assets that are derecognised in their entirety but for which the entity retains continuing involvement. The amendments are effective for annual periods beginning on or after 1 July 2011, but entities are not required to provide the disclosures for any period presented that begins before the date of initial application of the amendments. Early adoption is permitted.

Offset of financial assets and liabilities

Disclosures are required for financial assets and financial liabilities that are offset in the statement of financial position or subject to master netting arrangements or similar agreements. The amendments to IFRS are effective for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The amendments are to be applied retrospectively.

The QFC Regulatory Authority does not expect to have any significant impact on the financial statements on adoption of these amendments.

(iv) IFRS 9 'Financial Instruments' Standard issued November 2009

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.11 Standards, amendments and interpretations issued (continued)

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

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.

Standard issued October 2010

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".

The QFC Regulatory Authority is considering the implications of the standard, the impact and timing of its adoption.

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. In its November 2011 meeting, the IASB tentatively decided to defer the mandatory effective date to 1 January 2015.

(v) IFRS 13 - Fair value measurement

IFRS 13 replaces the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance. It defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. It explains how to measure fair value when it is required or permitted by other IFRSs. It does not introduce.

New requirements to measure assets or liabilities at fair value, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards.

The standard is effective for annual periods beginning on or after 1 January 2013 with an option of early adoption.

Early adoption of standards

The QFC Regulatory Authority did not early adopt any new or amended standards or interpretations in 2011.

5. INTANGIBLE ASSETS

	2011 USD '000	2010 USD '000
Software development cost		
Cost		
At 1 January	521	–
Additions during the year	126	521
At 31 December	647	521
Amortisation		
At 1 January	44	–
Charge for the year	194	44
At 31 December	238	44
Net book value		
At 31 December	409	477

6. FURNITURE AND EQUIPMENT

	Furniture and fixtures USD '000	Office equipment USD '000	Leasehold improvements USD '000	Motor vehicles USD '000	Capital work-in-progress USD '000	Total USD '000
Cost						
Balance at 1 January 2010	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
Additions	6	118	1	–	72	197
Transfers	22	–	–	–	(22)	–
Disposals/Write-off	(5)	(12)	(3)	–	(21)	(41)
Balance at 31 December 2011	857	1,848	862	27	72	3,666
Accumulated depreciation						
Balance at 1 January 2010	640	872	688	27	–	2,227
Charge for the year	140	346	128	–	–	614
Reversal on disposal	–	–	–	–	–	–
Balance at 31 December 2010	780	1,218	816	27	–	2,841
Charge for the year	58	310	30	–	–	398
Reversal on disposals	(6)	(11)	–	–	–	(17)
Balance at 31 December 2011	832	1,517	846	27	–	3,222
Net book value						
31 December 2011	25	331	16	–	72	444
31 December 2010	54	524	48	–	43	669

7. ACCOUNTS RECEIVABLE AND PREPAYMENTS

	2011 USD '000	2010 USD '000
Fees receivables	41	14
Prepaid expenses	1,310	845
Other receivables	620	801
Impairment of doubtful debts	(5)	–
	1,966	1,660
The ageing analysis of fees and other receivables is as follows:		
Neither past due nor impaired	656	807
Past due but not impaired	–	–
31 to 60 days	–	2
61 to 90 days	–	–
91 to 180 days	–	–
180 days and above	–	6
Individually impaired	5	–
	661	815

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. CASH AND BANK BALANCES

	2011 USD '000	2010 USD '000
Cash on hand	2	1
Current accounts and deposits with banks*	31,159	27,697
Cash and cash equivalents	31,161	27,698

**These represent deposits with banks held for the purpose of meeting short-term cash commitments, having interest rates up to 3%.*

9. EQUITY

General reserve

During the year ended 31 December 2011, USD 5,000,000 (2010: USD 5,000,000) has been transferred from the previous year's retained surplus to the general reserve account. Any transfer of amounts to and from the general reserve would require the approval of the Board of Directors.

Retained surplus

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

10. ACCOUNTS PAYABLE AND ACCRUALS

	2011 USD '000	2010 USD '000
Accrued expenses	4,291	2,910
Trade payables	419	846
Employees' annual gratuity	82	73
Due to related parties (note 14.1)	18	10
Advances from customers	1,495	1,428
Charges recovered	251	251
Other payables	176	10
	6,732	5,528

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

11. OTHER INCOME

	2011 USD '000	2010 USD '000
Interest income	820	1,054
Other income	205	–
	1,025	1,054

12. GENERAL AND ADMINISTRATION EXPENSES

	2011 USD '000	2010 USD '000
Consultancy and professional fees	622	683
Rent	1,311	1,237
Amortisation of software costs (note 5)	194	44
Depreciation (note 6)	398	614
Corporate communication expenses	66	164
Other expenses	1,530	1,194
	4,121	3,936

13. COMMITMENTS

	2011 USD '000	2010 USD '000
Estimated capital expenditure contracted but not incurred		
Office equipment	22	–
Minimum lease rental payable under non-cancellable commitments		
Within one year	516	2,447
After one year but not more than five years	–	994
Other commitments		
Within one year	93	181
After one year but not more than five years	–	70

14. 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.

14.1 Due to related parties

The balances due to related parties are as follows:

	2011 USD '000	2010 USD '000
QFCA	18	10

14.2 Related party transactions

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

	2011 USD '000	2010 USD '000
Appropriations from Government	29,546	28,912
Services from QFCA	1,147	1,278
Services and expenses paid on behalf of related parties	20	503
Appropriation from Government received on behalf of related parties	–	849

Transactions with key management personnel

Key management personnel remuneration includes the following expenses:

Short-term benefits	5,609	4,935

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

15.1 Credit risk

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

The QFC Regulatory Authority has recognised an impairment loss of USD 4,848 on its financial assets which it believes are not fully recoverable.

15. FINANCIAL RISK MANAGEMENT (CONTINUED)

15.2 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:

	2011 USD '000	2010 USD '000
Less than three months	6,732	5,528
More than three months, less than one year	–	–
	6,732	5,528

15.3 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity price risk 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.

15. FINANCIAL RISK MANAGEMENT (CONTINUED)

15.3 Market risk (Continued)

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.

15.4 Determination of fair values

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

16. 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:

Depreciation and impairment of furniture and equipment

The cost of furniture and equipment is depreciated over the estimated useful life, which is based on expected usage of the asset, the repair and maintenance program and technological obsolescence arising from changes. The management has not considered any residual value as it is deemed immaterial. The carrying amounts of QFC Regulatory Authority's furniture and equipment are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the

16. SIGNIFICANT ESTIMATES AND JUDGEMENTS (CONTINUED)

asset's recoverable amount is estimated. An impairment loss is recognized if the carrying amount of an asset exceeds its estimated recoverable amount.

Amortisation of intangible assets

Intangible assets are carried at cost less accumulated amortisation and impairment losses. Those are amortised on a straight line basis over an estimated useful life of three (3 years) commencing when the asset is available for its intended use. The carrying amount of the intangible assets is reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the intangible asset's recoverable amount is estimated. An impairment loss is recognized if the carrying amount of an intangible asset exceeds its estimated recoverable amount.

Impairment of accounts receivable

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

At the reporting date, gross fees receivable were USD 41,000 (2010: USD 14,000). Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the statement of activities.

17. 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 which 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 to be carried out 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 QFCA. 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 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, which manages the commercial operations of the QFC and is also responsible for the supervision of the QFC Companies Registration Office, 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 the Financing of Terrorism);
- 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. LICENCES IN EFFECT AS AT 31 DECEMBER 2011, DETAILING AUTHORISED FIRMS AND LICENSED (NON-REGULATED) FIRMS

TABLE A - AUTHORISED FIRMS

	QFC No.	Name of Authorised Firm	Date of Authorisation	Legal Status
BANKING INSTITUTIONS				
1.	00003	Arab Jordan Investment Bank (Qatar) LLC	05/12/2005	LLC
2.	00005	Credit Suisse (Qatar) LLC	01/03/2006	LLC
3.	00027	Bank Audi LLC	21/12/2006	LLC
4.	00045	Al Rayan Investment LLC	03/04/2007	LLC
5.	00048	QINVEST LLC	30/04/2007	LLC
6.	00079	BLOM Bank Qatar LLC	07/04/2008	LLC
7.	00091	Qatar First Investment Bank LLC	04/09/2008	LLC
8.	00018	Barclays Bank PLC	10/09/2006	Branch
9.	00019	Morgan Stanley & Co International PLC	12/09/2006	Branch
10.	00026	EMIRATES NBD PJSC	12/12/2006	Branch
11.	00032	Deutsche Bank AG Doha (QFC) Branch	28/12/2006	Branch
12.	00041	ICICI Bank Limited	21/03/2007	Branch
13.	00043	Citibank, N.A.	31/03/2007	Branch
14.	00046	The Royal Bank of Scotland PLC	04/04/2007	Branch
15.	00052	BMI BANK B.S.C.(c)	28/06/2007	Branch
16.	00053	Goldman Sachs International	09/07/2007	Branch

ANNEX 1. LICENCES IN EFFECT AS AT 31 DECEMBER 2011, DETAILING AUTHORISED FIRMS AND LICENSED (NON-REGULATED) FIRMS

	QFC No.	Name of Authorised Firm	Date of Authorisation	Legal Status
17.	00066	Industrial and Commercial Bank of China Limited	31/01/2008	Branch
18.	00073	Sumitomo Mitsui Banking Corporation	08/03/2008	Branch
19.	00075	Union National Bank	08/03/2008	Branch
20.	00081	Samba Financial Group	25/05/2008	Branch
21.	00084	Coutts & Co	19/06/2008	Branch
22.	00087	UBS AG	23/07/2008	Branch
23.	00098	First Gulf Bank - QFC Branch	24/11/2008	Branch
24.	00103	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	15/01/2009	Branch
25.	00106	Nomura International plc, Qatar Financial Centre Branch	28/05/2009	Branch
26.	00128	JPMorgan Chase Bank, N.A.- Qatar Financial Centre Branch	05/01/2011	Branch
27.	00137	State Bank of India – QFC Branch	07/04/2011	Branch
28.	00143	Abu Dhabi Islamic Bank – Qatar Financial Centre Branch	31/07/2011	Branch
INSURANCE, REINSURANCE AND INSURANCE MEDIATION				
1.	00034	QIC International LLC	12/02/2007	LLC
2.	00054	Doha Bank Assurance Company LLC	16/07/2007	LLC
3.	00057	NascoKaraoglan Qatar LLC	08/08/2007	LLC

ANNEX 1. LICENCES IN EFFECT AS AT 31 DECEMBER 2011, DETAILING AUTHORISED FIRMS AND LICENSED (NON-REGULATED) FIRMS

	QFC No.	Name of Authorised Firm	Date of Authorisation	Legal Status
4.	00085	Marsh Qatar LLC	30/06/2008	LLC
5.	00086	Aon Qatar LLC	22/07/2008	LLC
6.	00109	International Financial Services (Qatar) LLC	28/07/2009	LLC
7.	00113	Guardian Wealth Management Qatar LLC	20/10/2009	LLC
8.	00114	SEIB Insurance and Reinsurance Company LLC	21/10/2009	LLC
9.	00115	Chedid and Associates Qatar LLC	21/10/2009	LLC
10.	00117	Q-Re LLC	06/12/2009	LLC
11.	00121	Kane LLC	25/08/2010	LLC
12.	00141	Q Life and Medical Insurance Company LLC	30/06/2011	LLC
13.	00024	AXA Insurance (Gulf) BSC	19/11/2006	Branch
14.	00035	CHARTIS MEMSA Insurance Company Limited	18/02/2007	Branch
15.	00036	American Life Insurance Company ("ALICO")	26/02/2007	Branch
16.	00067	Zurich International Life Limited	08/11/2007	Branch
17.	00093	MARSH BROKERS LIMITED	14/09/2008	Branch
18.	00099	Nexus Financial Services WLL	30/11/2008	Branch
19.	00101	Mitsui Sumitomo Insurance Company (Europe) Ltd.	17/12/2008	Branch
20.	00110	MedGulf Allianz Takaful – QFC Branch	09/08/2009	Branch

ANNEX 1. LICENCES IN EFFECT AS AT 31 DECEMBER 2011, DETAILING AUTHORISED FIRMS AND LICENSED (NON-REGULATED) FIRMS

	QFC No.	Name of Authorised Firm	Date of Authorisation	Legal Status
21.	00112	T'azur Company b.s.c.(c) – QFC Branch	17/09/2009	Branch
22.	00131	Takaful International Company – QFC Branch	15/02/2011	Branch
23.	00147	Bahrain National Insurance Company BSC (C) QFC Branch	10/10/2011	Branch
ASSET MANAGEMENT AND INVESTMENT FIRMS				
1.	00008	AXA Investment Managers LLC	23/04/2006	LLC
2.	00012	QREIC Sukuk LLC	10/07/2006	LLC
3.	00028	Alpen Capital Investment Bank (Qatar) LLC	21/12/2006	LLC
4.	00044	Crédit Agricole Suisse (Qatar) LLC	31/03/2007	LLC
5.	00069	EFG-Hermes Qatar LLC	13/12/2007	LLC
6.	00072	Bank Sarasin-Alpen (Qatar) LLC	17/02/2008	LLC
7.	00088	State Street Middle East North Africa LLC	29/07/2008	LLC
8.	00082	Beltone Financial Qatar LLC	28/05/2008	LLC
9.	00096	QNB Capital LLC	28/09/2008	LLC
10.	00116	Rothschild (Qatar) LLC	18/11/2009	LLC
11.	00122	Matrix ME Alignment Fund Management LLC	18/10/2010	LLC
12.	00129	Concordia Capital LLC	13/01/2011	LLC
13.	00145	Amwal LLC	14/09/2011	LLC

TABLE B - LICENSED FIRMS – NON-REGULATED

	QFC No.	Name of Firm	Date of License	Permitted Activities - Non-Regulated
1.	00004	Qatar Holding LLC	04/04/2006	The business of a Holding Company
2.	00006	Arab Law Bureau LLP	20/03/2006	Professional Services (Legal)
3.	00013	PricewaterhouseCoopers - Qatar LLC	21/08/2006	Professional Services (Assurance, Advisory, and Tax)
4.	00014	Eversheds LLP	24/08/2006	Professional Services (Legal)
5.	00015	Eversheds Legal Services (Qatar) LLC	24/08/2006	Professional Services (Legal)
6.	00016	Lalive in Qatar LLP	31/08/2006	Professional Services (Legal)
7.	00017	Bell Pottinger Communications Limited	31/08/2006	Professional Services (Public Relations)
8.	00023	International Legal Consultants LLC	13/11/2006	Professional Services (Legal, Companies, and Trust Administration)
9.	00025	Region Holdings LLC	11/12/2006	Professional Services (Strategic Consultancy and Administrative Consultancy)
10.	00029	Clyde & Co LLP	27/12/2006	Professional Services (Legal)
11.	00030	International Mercantile Exchange Holdings LLC	27/12/2006	The business of a Holding Company

ANNEX 1. LICENCES IN EFFECT AS AT 31 DECEMBER 2011, DETAILING AUTHORISED FIRMS AND LICENSED (NON-REGULATED) FIRMS

	QFC No.	Name of Firm	Date of License	Permitted Activities - Non-Regulated
12.	00033	Badri and Salim El Meouchi, LLP	28/12/2006	Professional Services (Legal)
13.	00037	Qtel International Investments LLC	01/03/2007	The business of a Holding Company
14.	00038	Sayel M. Daher Law Offices LLC	11/03/2007	Professional Services (Legal)
15.	00039	Morison Menon Chartered Accountants LLC	18/03/2007	Professional Services (Audit, Accounting, and Consulting)
16.	00047	WongPartnership LLP	22/04/2007	Professional Services (Legal)
17.	00050	Accenture Middle East BV	20/05/2007	Professional Services (Consulting and Business Process Outsourcing)
18.	00051	KPMG LLC	24/05/2007	Professional Services(Audit, Tax, and Advisory)
19.	00056	GlobeMed Qatar LLC	08/08/2007	Professional Services (Third Party (re) insurance Administration)
20.	00058	Rödl Consulting Middle East LLC	09/08/2007	Professional Services (Consulting)
21.	00060	Qtel Group LLC	28/08/2007	Company Headquarters, Management Offices and Treasury Operations
22.	00064	SNR Denton & Co.	09/10/2007	Professional Services (Legal)

ANNEX 1. LICENCES IN EFFECT AS AT 31 DECEMBER 2011, DETAILING AUTHORISED FIRMS AND LICENSED (NON-REGULATED) FIRMS

	QFC No.	Name of Firm	Date of License	Permitted Activities - Non-Regulated
23.	00074	McNair Chambers LLC	08/03/2008	Professional Services (Legal)
24.	00076	Reed Personnel Services Qatar LLC	13/03/2008	Professional Services (Recruitment Consultancy)
25.	00077	DLA Piper Middle East LLP	31/03/2008	Professional Services (Legal)
26.	00078	CCL Qatar LLC	31/03/2008	Professional Services (Consulting)
27.	00080	Cunningham Lindsey Qatar LLC	19/05/2008	Professional Services (Loss Adjustment)
28.	00083	Allied Advisors LLC	18/06/2008	Professional Services (Consulting)
29.	00089	Latham & Watkins LLP	18/08/2008	Professional Services (Legal)
30.	00092	Al Tamimi & Company International Ltd.	10/09/2008	Professional Services (Legal)
31.	00094	McKinsey & Company, Inc. Qatar	18/09/2008	Professional Services (Management Consulting)
32.	00095	CitigateDeweRogerson Limited	23/09/2008	Professional Services (PR Consulting)
33.	00097	Qatar Insurance Services LLC	24/11/2008	Professional Services (Consulting)
34.	00102	Dewey & LeBoeuf LLP	13/01/2009	Professional Services (Legal)
35.	00104	Moore Stephens Services (Qatar) LLC	05/04/2009	Professional Services (Accounting)

ANNEX 1. LICENCES IN EFFECT AS AT 31 DECEMBER 2011, DETAILING AUTHORISED FIRMS AND LICENSED (NON-REGULATED) FIRMS

	QFC No.	Name of Firm	Date of License	Permitted Activities - Non-Regulated
36.	00105	Bloomberg L.P. – QFC Branch	30/04/2009	Professional Services (Multimedia)
37.	00107	QInvest Partners LLC	14/06/2009	Operation and administration of trusts and similar arrangements
38.	00108	White & Case LLP	09/07/2009	Professional Services (Legal)
39.	00118	NYSE Qatar LLC	04/02/2010	Professional Services (Consulting)
40.	00119	Booz & Company (Qatar) LLC	07/02/2010	Professional Services (Consulting)
41.	00120	Allen & Overy LLP - QFC Branch	09/02/2010	Professional Services (Legal)
42.	00123	Thomson Reuters (Markets) Middle East Limited, Qatar Financial Centre Branch	02/11/2010	Professional Services (Multimedia)
43.	00124	Qatar Finance and Business Academy LLC	04/11/2010	Business and Professional Education
44.	00125	Michael Page International (UAE) Limited, QFC Branch	28/11/2010	Professional Services (Recruitment Consultancy Services)
45.	00126	QInvest Capital LP	23/12/2010	Operation and administration of trusts and similar arrangements
46.	00127	QGOLD LLC	05/01/2011	The business of a Holding Company

ANNEX 1. LICENCES IN EFFECT AS AT 31 DECEMBER 2011, DETAILING AUTHORISED FIRMS AND LICENSED (NON-REGULATED) FIRMS

	QFC No.	Name of Firm	Date of License	Permitted Activities - Non-Regulated
47.	00130	SThree Qatar LLC	24/01/2011	Professional Services (Recruitment Consultancy Services)
48.	00132	Clifford Chance Middle East LLP	21/02/2011	Professional Services (Legal)
49.	00133	Qatar Asset Management Company LLC	28/02/2011	The business of a Holding Company
50.	00134	McGrigors LLP – QFC Branch	07/03/2011	Professional Services (Legal)
51.	00135	Matrix GCC Real Estate Fund LLC	23/03/2011	Operation and administration of trusts and similar arrangements
52.	00136	Lalive in Qatar LLC	28/03/2011	Professional Services (Legal)
53.	00138	Baker & McKenzie LLP	17/04/2011	Professional Services (Legal)
54.	00139	Regester Larkin Limited	19/05/2011	Professional Services (Consulting)
55.	00140	wi-tribe limited	28/06/2011	Company Headquarters, Management Offices and Treasury Operations)
56.	00144	K&L Gates LLP	23/08/2011	Professional Services (Legal)
57.	00146	Bennett Jones (Middle East) LLP	10/10/2011	Professional Services (Legal)
58.	00148	MAYHOOLA FOR INVESTMENTS (QFC) – LLC	25/10/2011	The business of a Holding Company
59.	00149	Herbert Smith Middle East LLP	24/11/2011	Professional Services (Legal)

ANNEX 2 - FIVE YEAR SUMMARY OF LICENSED FIRMS AND APPROVED INDIVIDUALS

LICENSED FIRMS

Number as at 31 December	2007	2008	2009	2010	2011
Regulated	38	57	64	59	64
Non-regulated	30	42	47	45	59
Total	68	99	111	104	123

APPROVED INDIVIDUALS

Number as at 31 December	2007	2008	2009	2010	2011
Total	312	460	521	501	561

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 2011: 123 (2010: 104) - 64 Firms providing regulated activities (2010: 59) - 59 Firms providing non-regulated activities (2010: 45)
Approved Individuals	• Number of approved individuals as at 31 December 2011: 561 (2010: 501)
Policy Development	Key outcomes in 2011: • Consultation Papers: 3 • Rule Amending Instruments: 3 • Waivers and modifications of Rules: 63 • New Rule Books: 2

Enforcement	● Manages all investigations of possible breach of rules and regulations and related enforcement actions.	
International Relations	● Memoranda of Understanding or other cooperative arrangements are in place with 22 international regulators, of which 4 were executed in 2011.	
Human Resources	Number of employees	112 (2010: 106)
	- International	92 (2010: 90)
	- Qatari	20 (2010: 16)
Divisions and Departments	● Supervision and Authorisation ● Policy and Enforcement ● Office of the General Counsel ● Operations (Information Technology, Human Resources, Corporate Communications, Corporate Services) ● Finance ● Internal Audit	

Our 2010 Annual Report was well received by organisations around the globe that recognise best practice in financial reporting. It won a total of eight Awards including two Grand Awards and two Gold Awards at the New York-based ARC Awards, the world's largest Annual Report Competition. The ARC Awards and their Grand Awards are popularly dubbed 'The Academy Awards' and 'The Oscars' of Annual Reports respectively. It also won the Platinum in its category at the Annual Vision Awards of the League of American Communications Professionals, competing with 5,000 entries from around the world.

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