Annual Report 2013

QATAR FINANCIAL CENTRE
REGULATORY AUTHORITY

His Highness

Sheikh Tamim Bin Hamad Al Thani

Emir of the State of Qatar

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The Regulatory Authority dedicated considerable resources, staff and training to share knowledge, to establish common standards and to help develop and coordinate strategies with other regulators.

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A dynamic platform for global financial services firms

In this year Qatar breaks new ground by establishing a financial centre with a fully independent regulator, a regulatory framework built on international standards, and an independent court and tribunal structure. Qatar's growth is accelerating, and the Qatar Financial Centre reflects the State's forward-thinking approach to meet the needs of the future.

A Qatari first

Chairman's Statement

H.E. Sheikh Abdulla Bin Saoud Al-Thani
Chairman

The Qatar Financial Centre Regulatory Authority (Regulatory Authority) is pleased to present its 2013 Annual Report, which records the significant progress that the Regulatory Authority has made in pursuit of its Regulatory Objectives under the Qatar Financial Centre Law No. (7) of 2005 (QFC Law).

Over the last year there has been an important strengthening of the framework underpinning the regulation of financial services in Qatar. The Financial Stability and Risk Control Committee, established under Article 116 of the Law on the Qatar Central Bank and the Regulation of Financial Institutions Law No. (13) of 2012 (new QCB Law), commenced operations during 2013. The first unified strategy for regulation of the financial sector in the State of Qatar was also launched by the Qatar Central Bank, the Qatar Financial Markets Authority and the Regulatory Authority.

The Financial Stability and Risk Control Committee is comprised of a number of senior executives from the Qatar Central Bank, the Qatar Financial Markets Authority and the Regulatory Authority. The Regulatory Authority played a key role during 2013 in supporting the work of the committee and in ensuring that financial risks are collectively identified, monitored and controlled and that regulatory policy in Qatar is aligned with international best practice.

The Strategic Plan is a true landmark document for financial regulation and for the development of financial services in the State of Qatar. Its launch in December 2013 underscored the significant progress that Qatar's financial regulators have made over the past two years to coordinate and exchange their expertise in the common desire to deliver a world-class regulatory environment in the State of Qatar. It recognises the important role and responsibilities of each regulator in ensuring that the financial services sector delivers on its potential across the State and the Qatar Financial Centre.

The Strategic Plan is aligned with the overall objectives of the Qatar National Development Strategy 2011-2016 and the Qatar National Vision 2030. The Strategic Plan sets out an ambitious agenda, governed by a mission and a vision, and outlines six strategic goals that aim to create a vibrant and well-regulated financial sector that serves Qatar's economy, fosters economic prosperity and maintains financial stability. It establishes a solid foundation for each of the regulators to drive organisational excellence by maintaining high standards of professionalism, innovation, skills and knowledge.

The Strategic Plan will position the State of Qatar as a leader in the region on financial sector regulation, and will create the environment for stable and sustainable economic growth. In that regard, the Strategic Plan emphasises the importance of financial stability and the need for a focused macro-prudential view to ensure that risks to the system and financial firms are identified early and enable pro-active initiatives and policies to be taken.

The realisation of the objectives of the Strategic Plan will underpin the important role of the financial sector in acting as a catalyst to drive economic diversification, and its significant potential as a sector to contribute to a well-diversified economy.

I would like to express my deep gratitude to my fellow Directors on the Board of the Regulatory Authority and to the management and staff of the Regulatory Authority for their valued contribution to the development of the Strategic Plan, and the strong commitment they have demonstrated to delivering on the goals and objectives set forth in the plan.

I would also like to recognise the valuable and constructive relationship between the Qatar Central Bank, the Qatar Financial Markets Authority and the Regulatory Authority, which will only increase in importance as we commence this important journey of delivering our unified strategy.

On behalf of the Board of the Regulatory Authority I would like to extend our gratitude and thanks to H.H. The Emir, Sheikh Tamim Bin Hamad Al Thani and to H.E. The Prime Minister and Minister of Interior for their continuous support and assistance.

The Regulatory Authority is also most grateful for the support and co-operation it receives from all Ministries and Government bodies in the discharge of its mandate under the QFC Law.

Abdulla Bin Saoud Al-Thani
Chairman

CEO's Statement

Michael Ryan
Chief Executive Officer

The 2013 publication of the Strategic Plan for Financial Sector Regulation (Strategic Plan) is the most significant initiative to date in the development of financial sector regulation in the State of Qatar.

The Strategic Plan creates a common mission and vision for the Qatar Central Bank (QCB), Qatar Financial Markets Authority (QFMA) and the Regulatory Authority. It is the roadmap for our collective goal to deliver a consistent regulatory framework for the financial sector in Qatar, in line with international best practice – a framework that supports the development of financial services and provides the necessary platform for the sector to grow and to contribute to the objectives of Qatar's National Vision 2030 and the National Development Plan 2011-2016.

The Strategic Plan underscores the constructive collaboration and cooperation taking place between the financial regulators in Qatar. It also emphasises the common approach to our regulatory mandates and defines the shared objectives that we seek to achieve.

The new QCB Law, which became effective in 2013, has provided an important foundation for financial regulation in Qatar through the establishment of the Financial Stability and Risk Control Committee (FSC). The FSC is responsible for developing a consistent regulatory framework, in addition to its critical mandate to ensure financial stability and promote greater cooperation among the regulatory authorities. This mandate creates a solid foundation for defining our common regulatory strategy and an effective framework for its implementation.

The Strategic Plan represents significant contributions from each of the financial regulators in Qatar and sets clear priorities that we will seek to achieve by 2016, in line with the first phase of Qatar's National Vision 2030. The mission and vision set out in the Strategic Plan will be achieved through six overarching strategic goals that aim to create a strong financial sector that serves Qatar's economy.

The six goals are supported by specific work plans within each regulator. Accomplishing these goals will be an important step towards building deeper and more resilient capital and financial markets, laying the foundation for innovation in financial services, creating greater institutional depth and capacity in the financial regulatory framework, driving economic diversification, and positioning Qatar as an attractive base for foreign direct investment. Importantly, it will ensure that these objectives are realised within the context of a regulatory framework that provides for sustainable and long-term economic growth.

The Strategic Plan recognises the important progress made by each regulator over the past few years and reinforces the key priorities that the Regulatory Authority has sought to progress. In that respect, I am pleased to report on the progress that the Regulatory Authority has made on the key objectives we set in 2012. These initiatives will contribute in a positive way to the overall delivery of the Strategic Plan.

As noted in our prior Annual Reports, the Regulatory Authority has invested significantly in its macro-prudential capabilities by establishing a team dedicated to monitoring local, regional and global trends that could create and increase financial risks to the system, as well as risks to the individual firms that we supervise. This macro-prudential focus has been integrated into our supervisory approach and we have redesigned our prudential returns to ensure that the data we collect is the most relevant to real and potential risks to the sector. The new returns will be implemented for the banking sector by mid 2014, following fieldwork and testing that commenced in 2013.

2013 has also seen a high level of coordination between the Regulatory Authority and the QCB, as the QCB develops the regulatory framework for insurance firms under the QCB's jurisdiction following the enactment of the new QCB Law. This work exemplifies the positive and constructive level of engagement between the regulators, which the Strategic Plan will continue to build upon.

The Regulatory Authority has also continued to work jointly with the QCB and the QFMA to build a consistent risk-based approach to anti-money laundering under the Anti-Money Laundering Law No. (4) of 2010. This collective success in creating a consistent AML framework has been of significant value to each of the regulatory authorities in sharing experience and expertise in an effort to combat money laundering and terrorism financing. It has also established a consistent framework for regulated firms in Qatar across the QCB, QFMA and Regulatory Authority.

Reflecting on our ongoing commitment to meeting international best practice, the Regulatory Authority continued its supervisory focus in 2013 on governance and effective risk management. Failings in these areas were exposed during the financial crisis, and with the increasing complexity and interconnectedness of international finance, those areas continue to require close attention. In 2013, we continued to align our insurance business rules to the revised Insurance Core Principles with particular focus on strengthening prudential standards. We also revised our risk governance rules and completed thematic reviews of our firms in order to benchmark the quality of risk management at the financial firms we supervise. Building on this work, the Regulatory Authority is reviewing its prudential rules for banking in 2014 to ensure further alignment, where necessary, with the revised Basel Core Principles for Effective Banking Supervision.

It has been a rewarding year and I would like to recognise the support and cooperation provided by the QCB and the QFMA over the past year, and to acknowledge our shared and strong commitment to delivering the Strategic Plan.

Finally, I would like to thank our Board of Directors for their encouragement and guidance in 2013, and I would also like to thank our employees for their significant efforts in moving our critical initiatives forward.

Michael Ryan
Chief Executive Officer
QFC Regulatory Authority

Foundations of a dynamic and attractive international financial centre

At the end of its first full year of operation, the QFC Regulatory Authority is now firmly established. Having built a regulatory environment for firms within the QFC, it offers the confidence and stability required of a dynamic, attractive international financial centre. A year of valuable lessons, it has confirmed the validity of the QFC concept and illustrated the potential for further growth in Qatar's financial sector.

Establishing a foothold

Governance framework

GOVERNANCE

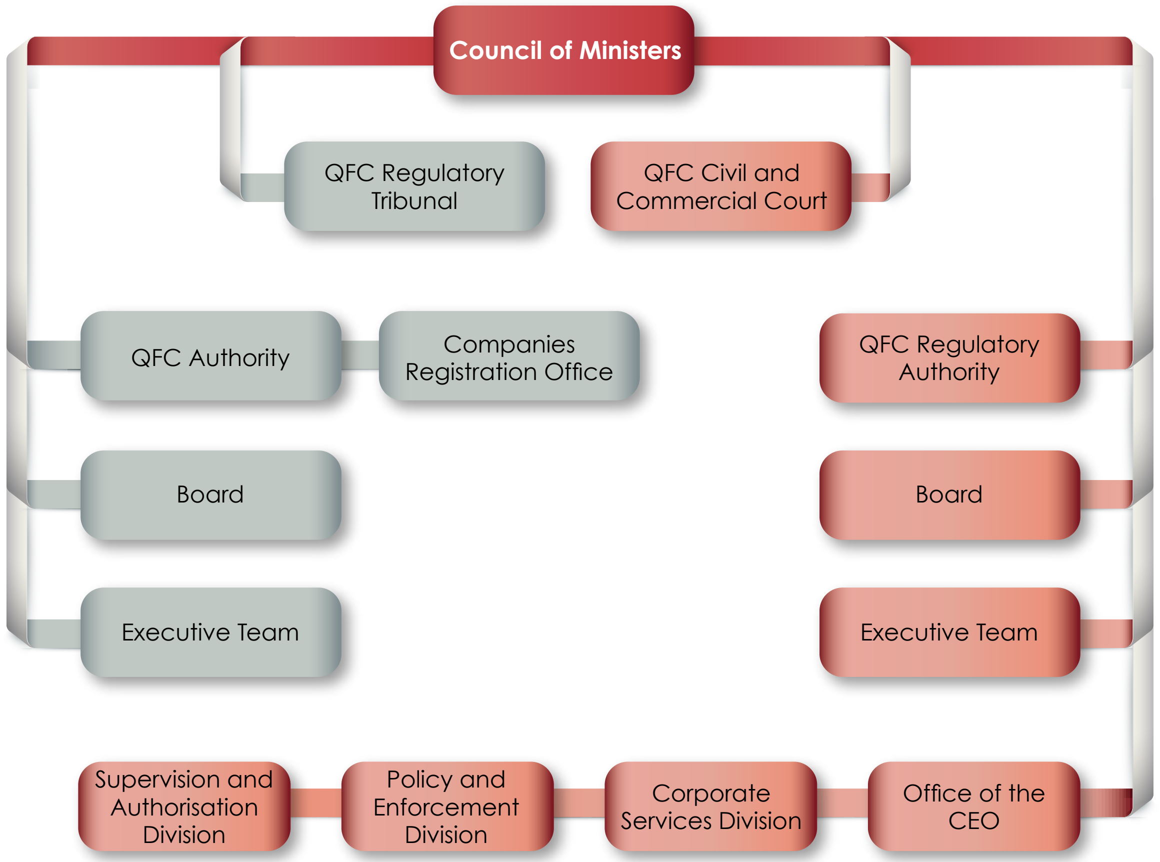
The QFC Regulatory Authority (the Regulatory Authority) operates under a governance framework designed to ensure transparency, integrity, independence, accountability and fairness. It is committed to demonstrating best practice and leadership in this area. The Governance Resolution of the Board of the 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.

GOVERNANCE FRAMEWORK

Role of the Board

The role of the Board is to lead the Regulatory Authority in line with the QFC Law and other applicable legislation. The Board sets the strategic direction for the Regulatory Authority; oversees the executive management's discharge of the day-to-day business of the Regulatory Authority; 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 controls is effective in managing risks.

Governance Structure



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Plans for a new regulatory regime in Qatar

The government recognises the importance of building a single regulatory framework to international standards for the entire State, and formally announces this strategy in 2007. It is another year of solid progress for the QFC Regulatory Authority, playing a major role in laying the groundwork for the new regulatory environment in Qatar.

Beginnings of a new era

Governance framework

THE BOARD

Board Composition
Under the QFC Law, the Board may have a maximum of six members appointed by the Council of Ministers. Board members are required to have significant expertise in the regulation of financial services. The Chairman and Directors were appointed by the Council of Ministers for a three-year term on 8 March 2012. The Board reports annually to the Council of Ministers on the discharge by the Board of the Regulatory Authority's functions; the extent to which, in its opinion, the Regulatory Authority's objectives have been met; and other matters required by law.

Board Meetings

The Board met four times in 2013, with every Board member attending all four meetings in person. Similarly, all meetings of the Board committees were attended by all committee members.

The Board approved a number of rule amendments, considered legislative and enforcement matters and regulatory policies, and reviewed a number of standing items.

The rule and policy amendments decided by the Board in 2013 relate to:

- changes to the Controller Framework for QFC Authorised Firms - the General (Controller and Miscellaneous) Amendments Rules 2014 - which came into effect in February 2014; and
- new prudential rules for insurance firms - the Insurance Business (Risk Management, Capital Adequacy and Miscellaneous) Amendments Rules 2013 - which will come into effect on 1 January 2015.

The standing items that were reviewed included the annual budget, audited financial statements, quarterly financial reports and monthly management reports to the Board. The Board also reviewed the semi-annual macro-prudential report and received updates on the status of projects relating to enhancements to the Prudential Returns, and proposed amendments to the Investment and Banking Business Rules 2005, which will be progressed in 2014.

The Board was kept informed of developments in relation to regulatory coordination among Qatar's financial regulators, including progress made by the Financial Stability and Risk Control Committee. The Board participated in the launch of the Strategic Plan for financial sector regulation in Doha, Qatar in December 2013, following input by the Board on the strategic plan and collaboration between the Qatar Central Bank (QCB), Qatar Financial Markets Authority (QFMA) and the Regulatory Authority.

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 as well as a Nominations and Remuneration Committee, and sets out the nature and membership of these committees. The committees review matters under their Terms of Reference, make recommendations and provide reports to the Board.

Audit and Risk Committee
The Audit and Risk Committee (ARC) is comprised of Mr Robert O'Sullivan (ARC Chairman) and Mr Jean-François 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 external audit firm appointed by the Regulatory Authority;
- the effectiveness of the internal controls framework; and
- business continuity and disaster recovery plans.

The ARC met four times in 2013, supplemented by exchanges of information between meetings. The Head of Internal Audit, the Chief Financial Officer/Chief Operating Officer and other members of the executive attended ARC meetings by invitation. All matters of significant discussion were reported to the Board, which also received the minutes of all ARC meetings.

In 2013 the ARC endorsed a new Enterprise Risk Management framework and reviewed quarterly updates on the status of the Regulatory Authority's risk register.

The ARC continued to oversee the arrangements for business continuity and disaster recovery planning, including the establishment of a new professionally managed Emergency Operations Centre.

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) is comprised of Mr Jean-François Lepetit (NRC Chairman) and Dr Jeffrey Carmichael. The Chief Executive Officer, the Chief Financial Officer/Chief Operating Officer and the Director of Human Resources attend NRC meetings by invitation.

The NRC met four times in 2013. The principal areas of focus for the NRC include considering and delivering recommendations to the Board regarding policy on executive appointments and remuneration. NRC also considers strategic human resources matters such as progress on the recruitment and training of Qatari nationals. Highlights of NRC recommendations to the Board included matters relating to an external review of the Regulatory Authority's remuneration system.

Board Internal Evaluation

In 2013 the Board continued its practice of undertaking a self-assessment exercise, the purpose of which is to review Board practices and to find ways to improve efficiency and effectiveness. The results of the assessment were discussed at the first Board meeting of 2014.

QFC Regulatory Authority Board of Directors

Board of Directors Biographies

H.E. SHEIKH ABDULLA BIN SAOUD AL-THANI
CHAIRMAN OF THE QFC REGULATORY AUTHORITY

His Excellency Sheikh Abdulla Bin Saoud Al-Thani was appointed Governor of Qatar Central Bank in May 2006, having started his career in the Bank in 1981. He was Deputy Governor from 1990 to 2001 and subsequently left to serve as Chairman of the State Audit Bureau from 2001 to 2006, before assuming his current position. His Excellency was appointed as Chairman of the Board of Directors of the QFC Regulatory Authority in March 2012 and subsequently as Chairman of Qatar Financial Markets Authority later in the year.

His Excellency is also Chairman of Qatar's Financial Stability and Risk Control Committee. He was appointed as the Chairman of the Islamic Financial Services Board as well as Chairman of the International Islamic Liquidity Management Corporation until December 2013 and is currently a member of both institutions. He also serves as the Chairman of the Board of Directors of Qatar Development Bank and is a member of the Board of Directors of the Qatar Economic Council.

He is currently a Managing Director and Board member at Qatar Investment Authority and serves as the Chairman of the Board of Directors of the Gulf Monetary Council for 2014.

MR MICHAEL RYAN
BOARD MEMBER AND CHIEF EXECUTIVE OFFICER

Mr Ryan is the Chief Executive Officer of the QFC Regulatory Authority. Mr Ryan joined the QFC Regulatory Authority in 2009 from Bank of America Merrill Lynch where he served in a number of senior management positions in London and Dublin, including as Chief Executive Officer of Merrill Lynch International Bank Limited and Country Executive for Bank of America Merrill Lynch in Ireland.

Prior to joining Merrill Lynch, Mr Ryan was Vice President at Credit Suisse Financial Products and an associate with Cadwalader, Wickersham & Taft specialising in banking, securities and corporate law.

Mr Ryan is a member of Qatar's Financial Stability and Risk Control Committee, a member of the Qatar National Anti-Money Laundering and Terrorism Financing Committee and a member of the Board of Directors of the Qatar Financial Markets Authority.

Board of Directors Biographies

MR NASSER AHMAD AL-SHAIBI

BOARD MEMBER

Mr Al-Shaibi was appointed a member of the Regulatory Authority Board in March 2012. Mr Al-Shaibi has held several leadership positions within the financial markets in Qatar and has been the Chief Executive Officer (CEO), and the team leader behind the establishment of the Qatar Financial Markets Authority (QFMA) since its inception in 2006. He is actively involved in developing the QFMA as an internationally recognised and leading financial market regulator. Mr Al-Shaibi was also a member of the Steering Committee responsible for establishing the QFMA, prior to which he served in a number of roles within Qatar Gas and the Doha Securities Market (Qatar Exchange) from 1993 to 2005. Mr Al-Shaibi has been a member of numerous national steering committees such as the Financial Stability and Risk Control Committee (FSC), the Qatar National Anti-Money Laundering and Terrorism Financing Committee (NAMLC), the Financial Markets Development Committee (FMDC), and the Founding Committee of the Establishment of Aspire Sports Academy.

Mr Al-Shaibi is also a member of several committees within the International Organisation of Securities Commissions (IOSCO) including the Presidents Committee, the Growth and Emerging Markets Committee and the Africa/Middle-East Regional Committee. At the regional level, he was President of the Union of Arab Securities Authorities for the year 2012-2013.

DR JEFFREY CARMICHAEL

BOARD MEMBER

Dr Carmichael was appointed as a member of the Regulatory Authority Board in March 2012 and is a member of the Regulatory Authority's Nominations and Remuneration Committee. He is the Chief Executive Officer of Promontory Financial Group Australasia (PFGA).

Prior to joining PFGA, Dr Carmichael worked as a company director and consultant to the World Bank, the Asian Development Bank and a number of governments on issues relating to regulatory structure, design and effectiveness, debt management and training. Until June 2003, Dr Carmichael was the inaugural Chairman of the Australian Prudential Regulation Authority (APRA), with responsibility for regulating and supervising banks, insurance companies and pension funds.

Dr Carmichael's career includes senior positions in a 20-year career with the Reserve Bank of Australia, seven years as Professor of Finance at Bond University, and appointments to a number of government and private sector Boards and inquiries, including the Wallis Inquiry into the Australian financial system.

Board of Directors Biographies

MR JEAN-FRANÇOIS LEPETIT
BOARD MEMBER

Mr Lepetit has been a member of the QFC Regulatory Authority Board since March 2006. He is Chairman of the Regulatory Authority's Nominations and Remuneration Committee and a member of the Audit and Risk Committee.

Mr 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. Mr Lepetit is currently a non-executive director of BNP Paribas.

MR ROBERT (BOB) O'SULLIVAN
BOARD MEMBER

Mr O'Sullivan has been a member of the QFC Regulatory Authority Board since March 2006 and is Chairman of the Regulatory Authority's Audit and Risk Committee. Mr O'Sullivan was a Senior Vice President at the Federal Reserve Bank of New York where he spent nearly 38 years.

He 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.

An economy protected from the worst effects of the financial crisis

Despite the challenges of the global financial crisis, the QFC Regulatory Authority finishes the year on a strong note. A 49 per cent increase in the number of licences issued and 55 per cent rise in regulated activities made it a productive year. December 2008 sees an important landmark, with the issue of the 100th licence, demonstrating a robust year-on-year increase in the opportunities provided by the QFC.

Despite the crisis

Executive team Biographies

George Pickering
Managing Director, Policy and Enforcement

Mr Pickering was appointed Managing Director of Policy and Enforcement in November 2010. His regulatory and financial markets' experience spans over 30 years. In his previous 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.

Mr Pickering served as an Advisor to the Governor and was Secretary to the Governing Council from 2004 to 2005. He was a member of the Financial Stability Review Committee from 2001 to 2010 and Chair of the Canadian Foreign Exchange Committee from 2004 to 2008. Mr Pickering worked at the Bank for International Settlements (BIS) from 1990 to 2001 and the International Monetary Fund from 1982 to 1986. He was the first Chief Representative for Asia and the Pacific for the BIS in Hong Kong from 1998 to 2001.

Otello Sturino
Chief Operating Officer and Chief Financial Officer

Mr Sturino was appointed Chief Operating Officer in October 2012 and Chief Financial Officer in May 2013. Prior to joining the QFC Regulatory Authority, he was COO of State Street Global Advisors (SSgA), responsible for SSgA's functional operations, infrastructure, global trading and SSgA Canada. Mr Sturino was the Head of State Street's International Relationship Management Group from 2005 to 2006. Between 2000 and 2004, Mr Sturino headed Cash Optimisation for the Corporation and was also Division head for State Street's worldwide end-to-end cash processing services.

Mr Sturino joined the company in 1990, serving in its Toronto office as Head of Operations and Client Services for State Street's Investor Services business area. He relocated to London in 1992 to lead Client Services. In 1994, Mr Sturino relocated to Boston to become the Global Head of Operations within State Street's Global Markets Division. Mr Sturino was also a member of State Street's Capital Committee and SSgA's Funding Committee.

Errol Kruger
Managing Director, Supervision and Authorisation

Mr Kruger was appointed Managing Director of Supervision and Authorisation in 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.

Mr Kruger 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 to 2009 (also known as International Liaison Group, since 2007) then, since 2009, representing his country as a full member of the Basel Committee on Banking Supervision.

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Continued interest from the financial sector in what Qatar has to offer

The year is marked by increasing confidence among Qatar-based institutions, and for QFC firms it manifests as a greater focus on building businesses in the region and delivering stronger year-end financial results. The QFC Regulatory Authority finishes the year with an increase of 16 per cent in the number of firms that are licensed or authorised to operate in or from the QFC.

Expansionist enthusiasm

Supervision & Authorisation

In achieving its regulatory objectives for 2013, the Supervision department has focused on: strengthening the macro-prudential framework; enhancing risk-based supervision at the micro level, including introducing an XBRL project and conducting thematic reviews on training and competency, risk governance and over-the-counter derivatives; and improving regulatory cooperation in the State.

Macro-Prudential Framework

In addition to strengthening risk-based supervision at the micro level of individual firms, the Regulatory Authority has continued to expand and refine its macro-prudential framework and oversight capabilities in line with international best practice.

Considering risks and trends from a macro-prudential perspective enables the Regulatory Authority to better apply qualitative and quantitative tools to assist stakeholders and identify emerging risks. The Regulatory Authority monitors industry developments and practices across banking, insurance and asset management sectors in order to identify potential areas of weakness or supervisory concern.

The Regulatory Authority has invested in a macro-prudential team that evaluates and reports on emerging international trends and risks, as well as closely examining areas of financial activity across the GCC, Qatar and the QFC.

This team delivers a comprehensive financial stability report known as the Macro-Prudential Review every six months, ending 31 March and 30 September, respectively. The report includes key findings across the global, regional and domestic financial system. To date, four reports have been delivered and key findings from the reports have been integrated into risk-based reviews of individual financial institutions.

The development of robust macro-prudential capabilities supports the Regulatory Authority in carrying out its functions effectively and in line with international best practice; and constructively contributes to the work of the Financial Stability and Risk Control Committee.

Strengthening risk-based supervision

The Supervision team has introduced a greater level of flexibility in determining its minimum review cycles for authorised banking firms in the QFC; in order to ensure that new and emerging risks are appropriately identified, and that supervision intensity can be escalated if and when issues are identified.

To this end, the team established processes in 2013 to actively integrate the outputs from the Macro-Prudential and Financial Analysis teams into the day-to-day supervision of banking firms, particularly with regard to new and emerging risks; crystallising its determination around the review cycle for less transaction-intensive institutions; and by appointing a risk specialist to provide subject matter expertise on risk matters.

These actions have continued to ensure that the Regulatory Authority tailors its on-site reviews appropriately, and adjusts the frequency and intensity of its on-site work in accordance with risk priorities.

Redesign of Banking Prudential Returns

The task of redesigning the Regulatory Authority's prudential returns has continued throughout 2013, with the draft returns (the "revised returns") being subjected to a field test with six firms selected from Categories 1, 2 and 5, and including both branches and LLCs, for the reporting periods March to September 2013.
The field test was conducted in order to conduct overall benchmarking, assess the suitability of the revised returns, and identify areas for further refinement. Particular focus was given to:

- Their adaptation to local business conditions and products and services on offer;
- An assessment of the suitability for Islamic Finance considerations; and
- Refinement of the validation rules.

The field test was conducted through individual meetings and joint briefing sessions.

The test identified the following areas for further development and analysis:

- Parameters for liquidity stress testing;
- Reliability of daily average balances;
- Credit impairments and provisions;
- Modelling of the impact of a parallel shift in the yield curve or an adverse correlated rate shock;
- Market risk management; and
- The use of derivatives, particularly in Islamic Finance, and implicit derivatives between branches and their head offices.

After engagement with the firms and analysis of the received data, numerous revisions were made to the revised returns. These revisions were released as a single amended version during the field test, with final revisions incorporated into the prudential returns released for the parallel run.

The parallel run was launched in September 2013 and involved all authorised firms reporting on the month ended 31 October 2013. The objective of the parallel run (which extends through to June 2014) is to familiarise all firms with the new reporting requirements, including the use of XBRL and the extensive data validations it performs, and to introduce supervisors to the enhanced information and accompanying standard dashboards and reports for the firms for which they are responsible.

The field test and parallel run took place in conjunction with the revision of the Investment and Banking Business Rules 2005 (PIIB) rulebook and findings from the test phases were used to inform the PIIB revisions.
The Policy department and Financial Analysis team worked closely together to ensure the policy framework proposals were aligned with the prudential returns.

The XBRL project accelerated during the second half of 2013,

Supervision & Authorisation (cont.)

with definition of the Business Requirements Specification; the taxonomy architecture and design; taxonomy definitions for phase 1 and 2 returns; and standard dashboards and reports for phase 1 returns. The taxonomy definitions were also linked directly into the Instructions to authorised firms.

The creation of a data warehouse in XBRL format will commence with submissions for the reporting period ending 31 December 2013. In 2014 the Regulatory Authority will also select and implement new software that supports enhanced financial analysis, as an enhancement to the standard reports and dashboards that XBRL can generate.

A core activity in 2014 will be the broader quantitative impact analysis of the potential requirements of the Liquidity Coverage Ratio (LCR), leverage ratio, Net Stable Funding Ratio (NSFR), and capital and liquidity requirements for branch operations. This analysis will enable the Regulatory Authority to refine and agree those requirements together with any necessary enhancements to the revised prudential returns. Enhancements will also be driven by incorporation of the following:

- Enhanced counterparty capital requirements as per Basel III,
- The securitisation and re-securitisation framework,
- Adaptations for Islamic Finance considerations, and
- The current agenda of the Basel Committee with reference to:
    - The fundamental review of the trading book;
    - The simplicity and comparability project;
    - The large exposure framework;
    - Revision of the standardised approaches; and
    - Enhancing the effectiveness of micro and macro-prudential supervision (Standards Implementation Group work plan).

Enhancements to Insurance Rules, Revised Insurance Prudential Returns and Management Information

In 2013 the Regulatory Authority amended the Insurance Business Rules 2006 (PINS) to better align the prudential framework for insurance firms with the International Association of Insurance Supervisors (IAIS) Insurance Core Principles and international best practice. These amendments enhanced the QFC prudential framework by:

- introducing an Own Risk and Solvency Assessment;
- improving the risk sensitivity of the Risk-Based Capital Model;
- enhancing enterprise risk management requirements; and
- expanding supervisory powers to request additional information from insurers who are members of a group.

The initiative involved extensive engagement with authorised insurance firms and other stakeholders, and demonstrated the Regulatory Authority's continued commitment to meeting international regulatory standards. The new rules come into force on 1 January 2015 in order to provide a transition period so that firms may prepare for the changes.

In 2013, Supervision reviewed and updated the Regulatory Authority's insurance prudential returns in order to enhance the collection of data, to ensure it is appropriately risk-based, and to support the amendments to PINS, particularly with respect to the Risk-Based Capital Model. The revised draft insurance prudential returns will be shared with insurance firms for their feedback and field tested over the course of 2014.

Furthermore, improvements were made to internal management information by the development and use of appropriate risk dashboards, which in turn assisted with the better allocation of regulatory resources in a risk-based manner.

Improving disclosure practices

In 2013, the Regulatory Authority conducted three thematic reviews: Training and Competency, Risk Governance and Over-the-Counter Derivatives.

Enhanced Training and Competency Regime

As part of its ongoing commitment to strengthening and maintaining professional standards within authorised firms operating in the QFC, the Regulatory Authority developed an enhanced training and competency regime in 2012.

The enhanced regime sets out best practice requirements for professional standards, examinations and continuing professional development. It emphasises that competent service and consumer protection is underpinned by continual improvements in professional training and qualifications. Competency standards are essential for the development and reputation of the QFC, and their achievement supports Qatar's strategic goal of becoming recognised as a major financial services centre. Ensuring satisfactory levels of competence for individuals working in QFC firms is a key element of the Regulatory Authority's regulatory objectives.

During 2013, the Conduct Supervision team conducted a thematic review that sought to assess authorised firms' implementation of the enhanced training and competency regime. The review focused on firms' designs, delivery and maintenance of an appropriate training and competency programme for their approved individuals. In addition to assessing compliance with the requirements of the enhanced regime, the review also sought to gain an understanding of the general approach to training and competency.

The review demonstrated that while the general approach is satisfactory, there are opportunities for firms to better embrace the enhanced regime. In particular, senior management engagement and involvement with a firm's training and competency programme can be improved, and more specifically, compliance officers need to do more to help their firm's

Supervision & Authorisation

Supervision & Authorisation (cont.)

governing body meet its responsibilities by providing all the necessary information that a governing body requires.

Risk Governance

The financial crisis exposed a significant number of governance weaknesses that led to firms failing to understand the risks they were taking in the course of business. Building on the work of the Financial Stability Board in 2012 and 2013, the Regulatory Authority conducted a thematic review of the Risk Governance frameworks in place for QFC authorised firms.

The review aimed to assess those frameworks through the lens of international best practice (while applying the principle of proportionality). It focused on Board responsibilities and practices, firm-wide risk management functions and an independent assessment of the Risk Governance Framework.

The review identified a number of areas where authorised firms can take action to strengthen their governance. These included: a better definition of risk appetite; clarity around the organisational arrangements of Board and other sub-committees; significant enhancements to management information systems and reporting capabilities; and liquidity contingency arrangements.

Over-the-Counter (OTC) Derivatives

While not specifically cited as one of the causes leading to the financial crisis, transactions in the OTC derivative markets did give rise to increased interconnections among markets and firms, substantial counterparty credit risk, exacerbated financial leverage and large concentrations of risk. The introduction of new international regulatory requirements (most notably the Dodd Frank legislation in the US and the Markets in Financial Instruments Directive (MiFID) in the EU) has been aimed at addressing these concerns.

The Regulatory Authority's thematic review on OTC derivatives markets and the specific use of OTC trading platforms at QFC firms was designed to increase understanding of the levels of dealings of the QFC firms in these markets and their use of such platforms.

The review confirmed there is limited use of these platforms by QFC firms and that where they are used, their use was limited to peer-to-peer conversational dealing purposes in interbank markets rather than in the provision of order matching facilities, which is the area subject to greater international regulatory oversight as highlighted above.

Enhanced Regulatory Cooperation

Senior executives from the Regulatory Authority commenced participating in the Financial Stability and Risk Control Committee (FSC) in close cooperation with the QCB and QFMA. The FSC was established under Article 116 of The Law of the Qatar Central Bank and the Regulation of Financial Institutions (Law No. 13 of 2012), (the new QCB Law), which was enacted on 2 December 2012.

In support of FSC's work, employees from the Supervision and Authorisation Division were selected to work closely with financial industry experts from across all three regulators as part of a tri-partite working group. The working group commenced efforts to develop an initial financial stability summary report intended to facilitate debate and form opinions by the FSC on potential systemic risks to financial stability in the State of Qatar.

The working group combined macro-prudential surveillance and analysis efforts from each jurisdiction, in order to identify and begin to monitor emerging financial industry issues from across Qatar's economy, banking sectors, capital market, and the insurance industry. The working group employed quantitative and qualitative methods for evaluating the conditions of the financial sector and the risks it may pose to the broader financial system.

The Supervision and Authorisation Division continued to participate in supervisory college meetings with the QCB and the QFMA to share information in respect of financial institutions where regulatory overlap exists. The supervisory college is an effort to not only ensure the early identification of risk but to also eliminate regulatory arbitrage. Issues of common importance are to be examined at the college with a view to developing a common approach to thematic issues across the three regulatory agencies.

The combined efforts of the FSC and supervisory college are an important development toward enhancing financial stability, which will improve and enhance the financial resilience of the overall financial system.

In accordance with our strategy of enhanced regulatory cooperation, in 2013 the Regulatory Authority has assisted the QCB in developing a regulatory framework for insurance firms operating in the State of Qatar, in line with the new QCB Law that was promulgated in December 2012.

This has involved and continues to involve insurance expertise from the Regulatory Authority's Supervision and Policy teams to ensure a consistent regulatory framework between the QFC and the State of Qatar for insurance firms that are aligned with international best practice.

In this regard, the Regulatory Authority's licensing and authorisation team commenced engagement with the QCB in the fourth quarter on a licensing strategy work stream for the insurance sector. The work stream is focused on the licensing considerations flowing from draft QCB Insurance Regulations, which, following the transfer of the responsibilities of the Ministry of Business and Trade for the supervision of insurance business in the State under Law No. 1 of 1966 to the QCB in accordance with the new QCB Law, will require all insurance companies operating in the State to apply for a licence

Supervision & Authorisation

Supervision & Authorisation (cont.)

from the QCB in order to continue their operations.

During the course of the year the Regulatory Authority has also actively participated in the work of the IAIS and its sub-committees. This participation will continue so that we may appropriately provide input and monitor international policy developments.

Licensing and Authorisation

Since the inception of the QFC in 2005, the Regulatory Authority's Authorisation team has been responsible for assessing applications from firms seeking authorisation to conduct regulated activities in the QFC. In addition, the team also assessed applications from those firms seeking a licence to undertake non-regulated activities, in the capacity of the administrator of the licensing process on behalf of the QFCA.

The development of the QFCA's in-house licensing capability with respect to non-regulated firms culminated in September 2013 with the formal transfer of responsibility for the licensing process of non-regulated firms across to the QFCA.

The Anti-Money Laundering (AML) team was also actively engaged, developing guidelines and policies to assist the QFCA in assessing the consideration of AML and Combating the Financing of Terrorism (CFT) that relates to non-regulated firms captured within the definition of a Designated Non-Financial Business of Profession under the Anti-Money Laundering and Combating Terrorist Financing Rules 2010 (AML/CFT).

Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) Regime

The Regulatory Authority is dedicated to ensuring that QFC has a robust AML/CFT regime in place. A strong AML/CFT framework helps to prevent activities that constitute or facilitate financial crime, reduces the opportunities for financial crime more generally, and helps to protect the reputation of the QFC and the State of Qatar.

Following the 2012 amendments to the Financial Action Task Force (FATF) standards, the Regulatory Authority implemented enhanced AML/CFT Rules in 2014 that addressed FATF recommendations and a standalone AML/CFT rulebook for general insurance businesses. The amendments have aligned the Regulatory Authority's AML/CFT Rules to international best practic e.

As a member of the National Anti-Money Laundering and Terrorist Financing Committee (NAMLC), the Regulatory Authority plays an active role in cooperating with NAMLC members as well as international AML/CFT authorities. In this capacity, Regulatory Authority staff participated in the following key initiatives:

- NAMLC Technical Committee: assessing the impact of the revised FATF recommendations on NAMLC member authorities and the State of Qatar's overall AML/CFT framework;
- Regulatory Authority and Qatar Central Bank AML/CFT working group: technical expertise to enhance the AML/CFT risk-based supervisory methodology;
- International Monetary Fund mission: evaluating and strengthening the AML/CFT supervisory regime within Qatar; and
- FATF/MENA - FATF Joint Experts' Meeting on Typologies hosted by NAMLC. Employees from the Regulatory Authority participated in all four expert meetings, which brought together more than 180 experts from 40 countries and 14 regional and international organisations to examine current methods and trends in money laundering and terrorist financing. The meeting was the first of its type in the region and the typologies included non-profit organisations, financial flows linked to the illicit production and trafficking of Afghan drugs, money laundering through physical transportation of cash, and gold money laundering and terrorist financing risks and vulnerabilities.

To ensure QFC firms' compliance with the AML/CFT regime, the Regulatory Authority undertook a number of Risk Assessment Visits of firms, in conjunction with thematic reviews assessing the firms' Money Laundering Reporting Officer (MLRO) obligations, including Annual Reporting and Non-Resident MLROs.

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The development of Anti-Money Laundering Laws

The QFC Regulatory Authority collaborates with other Qatari regulators to develop Anti-Money Laundering Laws and support the growth of the asset management and insurance sectors. The QFC Regulatory Authority concludes its first enforcement actions against two firms, resulting in the imposition of financial penalties and the withdrawal of authorisations.

Addressing a global threat

Policy

Regulatory Policy Initiatives

In 2013, the Policy department of the Regulatory Authority focused on updating the QFC insurance prudential framework in order to align it closely with international best practice. A particular area of emphasis has been the aligning of the regulatory framework that governs insurance activity, both within the QFC, and in the wider State of Qatar. Other key achievements included enhancements to the controller framework.

Insurance Business Rules 2006 (PINS)

In 2011 the IAIS released a set of revised and expanded core principles for insurance supervision. The Regulatory Authority subsequently conducted a full internal review of the QFC insurance framework, and since that time has significantly enhanced the rules governing insurance activity in the QFC in its drive to ensure the jurisdiction is governed by regulations aligned with international best practice.

In 2013, changes focused on the prudential standards for insurers. Following these changes, the Regulatory Authority is confident that the regulatory framework for insurance firms is aligned with international standards and will continue to support the expansion of insurance activity in the QFC.

The prudential rules were strengthened in the following areas:

- Capital adequacy: improving risk sensitivity of the PINS risk-based capital model, by creating insurance concentration and operational risk requirements, and by streamlining and recalibrating other risk components of the prudential capital framework;
- Enterprise risk management: strengthening the risk management framework, by requiring an insurer's governing body to be involved in and approve an annual risk and solvency self-assessment;
- Valuation: enhancing the rules and guidance relating to actuarial techniques, methods and assumptions used to value assets and insurance liabilities;
- Investments: improving insurers' management of investment risk, by establishing asset-liability matching requirements, investment concentration limits, asset admissibility criteria and by introducing a prudent person principle; and
- Insurance groups: expanding supervisory powers for the Regulatory Authority in relation to requests for additional information from insurers who are members of a group.

The Regulatory Authority led a period of public consultation on the draft proposals, and conducted active dialogue with QFC firms and other stakeholders. The feedback and policy responses were reflected in the final rules and were separately published in November 2013 in a Summary of Public Consultation. This was the first Summary of Public Consultation issued by the Regulatory Authority and reflects the agency's ongoing commitment to transparent and accountable policy-making.

The new rules come into force on 1 January 2015 and the Regulatory Authority is working closely with QFC insurers during the transition period to address any implementation issues that may arise.

Enhancements to the controller framework

In 2013 the Regulatory Authority proposed changes to the rules governing significant ownership positions in QFC authorised firms. The changes focused on the following key policy areas:

- Controller band threshold approval: introducing thresholds for the approval of controller shareholdings, based on fitness and propriety and the financial capability of the shareholder;
- Letters of comfort: requirements for significant controller shareholders crossing significant shareholding thresholds to confirm their capability and willingness to support the firm; and
- Strengthened systems, controls and reporting requirements.

These changes were broadly accepted by the industry over a period of public consultation and the new rules came into effect on 1 February 2014.

Reviewing the prudential rules for banking and investment

The global financial crisis in 2007-2009 highlighted a number of shortcomings in the international standards for banking, which are now being addressed by regulators and international standard-setting bodies around the world.

In 2013 the Regulatory Authority began a comprehensive review of the QFC prudential framework, aiming to align it with the enhancements to best practice supervision, and the prudential standards for financial institutions recently issued by the Basel Committee on Banking Supervision. In particular, the Regulatory Authority is aligning the prudential framework for banks and dealing firms to both the 2012 revised Basel Core Principles for Effective Banking Supervision and the most recent changes in the Basel Accords framework.

The Regulatory Authority is also reviewing the prudential framework for other asset management and investment advisory firms. Revisions to the framework will cover a broad spectrum of activities including managing investments, providing custody, operating collective investment schemes and other investment intermediary business. The revisions will include requirements that are more closely aligned to the risks associated with the type of activities carried on by these firms.

Enhancing the regulation of the Qatar insurance industry

Following the issue of the new QCB Law, the QCB is now responsible for regulating insurance companies, reinsurance companies and other people or entities carrying on insurance-related activities (such as insurance intermediaries) in the State. The Regulatory Authority is providing support and assistance to the QCB in developing regulations for this sector. This close collaboration will ensure that the regulation of insurance firms is aligned between the State and the QFC; particularly in the key areas of licensing, prudential requirements and market conduct requirements.

Promoting higher professional standards in the financial services sector

Sponsored by the Financial Markets Development Committee and guided by the regulatory bodies of the Qatar financial sector, Project Tadreeb was launched in 2013 through the Qatar Financial Business Academy. Project Tadreeb will provide a framework to enhance and promote the professional qualifications of people employed in the financial services industry. A key element of the project is a training programme that is designed to lift overall competency levels of people working in the banking, insurance, asset management and capital markets industries.

Working to combat cyber threats

The Regulatory Authority has participated with the QCB, QFMA and major financial institutions of the financial sector in the Information Risk Expert Committee (FS-IREC) chaired by Q-CERT/ ictQATAR. The committee provides a forum for information exchange on cyber threats faced by firms operating in the financial sector in Qatar.

FATCA

FATCA was enacted by the U.S. Congress in 2010 and will be implemented worldwide on a phased basis from 1 January 2014. The purpose of the legislation is to combat tax evasion by U.S. people living and operating overseas. Although FATCA is a U.S. law, it could have important implications for some Qatari financial institutions.

The Regulatory Authority provided support to firms operating in the QFC by co-sponsoring a FATCA Symposium in January 2013 with the QCB and QFMA to highlight the importance of complying with the legislation.

The FATCA Symposium was the first regional platform on the topic. Qatar welcomed speakers from the U.S. Treasury who outlined the requirements of the legislation and talked through key issues for firms and their employees. The Symposium was attended by representatives from many of the GCC Central Banks, Ministries of Finance and representatives of financial institutions from across the region.

The Regulatory Authority has supported the Ministry of Finance and Economics in its negotiations with the U.S. on an Intergovernmental Agreement. The QFC Authority will be the conduit through which any reporting requirement by QFC firms will be made to the Ministry of Finance.

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A continued effort to discourage unauthorised financial activity

The QFC Regulatory Authority strengthens its risk-based approach to financial supervision and a macro-prudential framework. Acknowledging the multi-faceted financial regulatory system in Qatar, it continues to address gaps that arise between the various regulatory frameworks, and discourage unauthorised financial activity that attempts to exploit those gaps.

Securing Qatar's future

Enforcement

Appropriate and effective enforcement is a critical element of maintaining the high standards of the QFC and its reputation as a robust financial centre. The Regulatory Authority takes its enforcement responsibilities seriously and is committed to promptly addressing conduct, which fails to meet the mandated standards set out in its rules and regulations.

Enforcement outcomes highlight issues that warrant disciplinary action and they act as useful precedents for compliance officers executing their responsibilities within authorised firms, in addition to setting the benchmark for the standards of behaviour that are required within the QFC.

When enforcement is necessary, the Regulatory Authority takes a fair, transparent and consistent approach in order to deliver outcomes that are appropriate and proportionate to the misconduct. These processes are set out in the Enforcement Policy Statement released in January 2012.

Current enforcement matters

In 2013, a number of enforcement investigations either commenced or continued against both firms and individuals. In line with the policy of the Regulatory Authority, no comment will be made regarding these investigations while they are underway and any outcomes may only be made public once the action has concluded.

It is appropriate, however, to observe that some of the matters under investigation highlight apparent weaknesses in the systems and controls within firms, as well as inadequacies related to overseeing staff conduct, fitness and propriety.

These themes reinforce that senior employees (particularly compliance officers) must remain vigilant about employees attempting to circumvent a firm's internal controls in order to conduct fraudulent or otherwise unauthorised activity. In certain cases, individuals have been able to circumvent their firm's internal controls and breach the Regulatory Authority's rules and regulations without being detected by their firm. This tends to occur in circumstances where the perpetrator is a senior person whose authority is less likely to be challenged.

Protecting investors and consumers from unlicensed investment advisers

In 2013, the Regulatory Authority took action against an operation known as Portable Fund. On its website, the company claimed to be an investment fund authorised by the Regulatory Authority and licensed by the QFC. Both claims were false.

Additionally, the company offered unrealistically high investment returns and enquiries quickly confirmed that the fund demonstrated many of the characteristics of a pyramid scheme. The Regulatory Authority worked closely with other agencies in the State and prompt steps were taken to both block the site in Qatar, and remove the threat it posed to the QFC and to consumers.

The Regulatory Authority is vigilant in enforcing the QFC regulatory perimeter in order to preserve its reputation, and to protect investors and consumers from the actions of unlicensed financial or investment advisers. The Regulatory Authority encourages consumers to come forward with any information about firms or individuals who may be operating, or claiming to operate in the QFC, without the necessary approval or authorisation.

The enactment of a new law for Qatar's regulatory community

The new law of the Qatar Central Bank and the Regulation of Financial Institutions is enacted, marking the beginning of a new era of cooperation and collaboration between Qatar's financial sector regulators. Its full implementation will put in place a firm foundation to underpin sustainable and high quality growth for the economy in Qatar.

Building blocks of the future

Corporate Services

The Corporate Services Division helps the Regulatory Authority achieve its regulatory objectives by providing efficient and effective corporate services. This includes appropriately deploying people and resources, maintaining and improving infrastructure and technology, ensuring prudent financial controls and management, and protecting and enhancing the reputation of the organisation.

In 2013, the Corporate Services Division focused on streamlining and simplifying these corporate services in order to better position the Regulatory Authority to meet future challenges. A key priority has been to ensure that systems and processes are fit-for-purpose for an agency of the Regulatory Authority's size and scope.

Enhancing operations through strategic partnerships

Throughout 2013, the Corporate Services Division conducted an ongoing review of systems and processes in order to identify opportunities for improvement. A key outcome of this review has been to transition a series of activities in non-core areas to external partners, in order to enhance the efficient use of resources available to the organisation.

By strategically engaging the services of external companies who are specialists in their field, the Division is not only ensuring the best execution of those services, but more importantly, is aiming to promote an internal culture where employees of the Division are empowered to use their expertise and focus on adding value to core business activities. In turn, efforts are directed to the core needs of the business and innovation is fostered, helping deliver the corporate support that is required to lead the organisation into the future.

Some examples of newly established strategic partnerships include engaging an external recruitment partner to optimise sourcing strategies and manage the talent pipeline for the Regulatory Authority; outsourcing the archiving and storage of critical documents; moving to a recognised provider of support services for business continuity planning; and working with best-in-class providers of IT systems and software to deliver enhanced technology services to the organisation. These partnerships will facilitate work toward achieving many of the objectives of the Human Capital Pillar of the National Vision 2030.

Encouraging a performance culture

The Corporate Services Division has improved service delivery in the Regulatory Authority by adopting a process of continuous improvement driven by data, resulting in the ability to analyse and streamline established processes, through the introduction of a range of measurement tools and metrics.

One area of focus has been to improve process management by moving from manual transaction-based processing in Finance and HR to a model of automated exception-based (also known as straight-through) processing. This has resulted in a new suite of integrated online policies and forms that are automated, simple and easy to use.

Improving process management has also enabled the Division to support its objective of adding value through the provision of subject matter expertise and excellence in customer service. Automating existing processes results in quicker processing times, which has supported the introduction of a Business Partner model in HR and IT, where specialist individuals are embedded within the separate Divisions of the Regulatory Authority in order to provide direct support and strategic advice to those teams.

Proactively managing organisational risk

The Regulatory Authority has adopted and implemented a new Enterprise Risk Management methodology, whereby the senior executive group formally review and assess risks and develop appropriate responses to minimise exposure and mitigate those risks. The process includes quarterly reporting to the Audit and Risk Committee and Board.

Re-positioning IT infrastructure for the future

The Corporate Services Division has identified and prioritised opportunities to fully integrate its IT systems and platforms on robust and reliable IT infrastructure. In 2013, this included redesigning the banking prudential returns and initiating a project to bring together a number of databases across the organisation into a single secure data warehouse.

Redesigning the banking prudential returns has provided the opportunity to modernise the IT platform that supports all returns submitted to the Regulatory Authority. A new third-party IT system was deployed in January 2014 to support the new returns. The new system uses XBRL (eXtensible Business Reporting Language), which is the standard for business and financial information interchange. All of the Regulatory Authority returns will be migrated to XBRL over the course of 2014.

Planned for completion in 2014, the data warehouse project aims to house all available data collected through the Regulatory Authority's work, in a fortified environment structured to provide customised access to the client groups within the organisation. The new data warehouse will provide an unprecedented level of data security, consistency and accuracy to the Regulatory Authority. It will deliver sophisticated trend analysis that will enable the organisation to work proactively, and in doing so, will support the overall objective of the Regulatory Authority to provide regulation of the highest international standards.

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Qatar's first joint strategic plan for financial sector regulation

The Qatar Central Bank, the Qatar Financial Markets Authority and the Qatar Financial Centre Regulatory Authority jointly develop the first Strategic Plan for all financial sector regulatory authorities in the State. A landmark document for the financial sector, the Strategic Plan provides the mission, vision, values and objectives that will underpin a coordinated approach to strengthening the financial sector and fostering stable and robust economic growth.

Aspirations to excel

Financial Statements

Auditors' report

Independent auditors' report on the financial statements to the Board of Directors of Qatar Financial Centre Regulatory Authority

Report on the financial statements

We have audited the accompanying financial statements of Qatar Financial Centre Regulatory Authority, (the "QFC Regulatory Authority"), which comprise the statement of financial position as at 31 December 2013, and the statements of activities, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the financial statements

The directors are 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 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 judgment, 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 QFC Regulatory Authority'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 QFC Regulatory Authority's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the QFC Regulatory Authority as at 31 December 2013, and its financial performance and cash flows for the year then ended are 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 adverse effect on the business of the QFC Regulatory Authority or its financial position as at 31 December 2013.

KPMG LLC

KPMG L.L.C.

23 March 2014
Doha
State of Qatar

Statement of financial position
As at 31 December 2013

In USD '000

	Note	2013	2012
ASSETS			
Non-current assets			
Intangible assets	5	867	346
Furniture and equipment	6	477	204
Total non-current assets		**1,344**	550
Current assets			
Accounts receivable and prepayments	7	1,259	1,591
Cash and bank balances	8	38,274	36,167
Total current assets		**39,533**	37,758
Total assets		**40,877**	38,308
EQUITY AND LIABILITY			
Equity			
General reserve	9 & 2	28,651	26,651
Retained surplus	9 & 2	5,034	3,735
Total equity (page 5)		**33,685**	30,386
Current liability			
Accounts payable and accruals	10	7,192	7,922
Total current liability		7,192	7,922
Total equity and liability		**40,877**	38,308

The financial statements of the QFC Regulatory Authority for the year ended 31 December 2013 were approved by the following on behalf of the Board of Directors on

Michael Ryan
Chief Executive Officer

Otello Sturino
Chief Financial Officer & Chief Operating Officer

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

Statement of activities
For the year ended 31 December 2013

In USD '000

	Note	2013	2012
Income			
Fee income		2,489	2,539
Financial penalties		-	120
Interest on deposits		610	721
Other income		10	21
Total income		**3,109**	3,401
Expenses			
Salaries and other related costs		(28,807)	(28,576)
General and administrative expenses	11	(4,884)	(4,328)
Board of Directors expenses		(897)	(786)
Total expenses		**(34,588)**	(33,690)
Excess of expenses over income for the year before appropriations		**(31,479)**	(30,289)
Appropriations from the Government	2	34,778	33,427
Surplus for the year and other comprehensive income		**3,299**	3,138

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

Statement of changes in equity
For the year ended 31 December 2013

In USD '000

	General reserve	Retained surplus	Total
Balance at 1 January 2012	22,651	4,597	27,248
Surplus for the year and other comprehensive income	-	3,138	3,138
Transfer of surplus to general reserve	4,000	(4,000)	-
Balance at 31 December 2012	26,651	3,735	30,386
Balance at 1 January 2013	26,651	3,735	30,386
Surplus for the year and other comprehensive income	-	3,299	3,299
Transfer of surplus to general reserve	2,000	(2,000)	-
Balance at 31 December 2013	**28,651**	**5,034**	**33,685**

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

Statement of cash flows
for the year ended 31 December 2013

In USD '000

	Note	2013	2012
Cash flows from operating activities			
Excess of expenses over income for the year		(31,479)	(30,289)
Adjustments for:			
Amortisation of intangible assets	5	234	221
Depreciation of furniture and equipment	6	181	268
Write-off of capital work in progress	6	-	43
Impairment of doubtful debts	7.1	12	11
(Gain) / loss on sale of furniture and equipment		(4)	4
Interest on deposits		(610)	(721)
Operating loss before working capital changes		**(31,666)**	(30,463)
Changes in working capital			
Accounts receivable and prepayments		84	465
Accounts payable and accruals		(256)	311
		(31,838)	(29,687)
Interest received		846	620
Net cash used in operating activities		**(30,992)**	(29,067)
Cash flows from investing activities			
Acquisition of intangible assets	5	(755)	(158)
Acquisition of furniture and equipment	6	(456)	(75)
Proceeds from sale of furniture and equipment		6	-
Net cash used in investing activities		**(1,205)**	(233)
Cash flows from financing activities			
Appropriations from the Government	2	34,778	33,427
Appropriations from the Government (utilised) / received in advance		(474)	879
Net cash generated from financing activities		**34,304**	34,306
Increase in cash and cash equivalents		2,107	5,006
Cash and cash equivalents at the beginning of the year		36,167	31,161
Cash and cash equivalents at the end of the year	8	**38,274**	36,167

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

Notes to the financial statements
for the year ended 31 December 2013

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 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 34,777,787 (2012: USD 33,426,862). As per Article 14 of Qatar Financial Centre Law No. 7 of 2005, 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 2013, USD 2,000,000 (2012: USD 4,000,000) has been transferred from the retained surplus to the general reserve account. Any transfer of amounts to and from the general reserve requires 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).

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.

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.

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

3. BASIS OF PREPARATION (CONTINUED)

3.4 Use of estimates and judgements
The preparation of the 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 judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described as follows:

Useful lives of furniture and equipment and Intangible assets
The Company's management determines the estimated useful lives of its furniture and equipment and intangible assets to calculate depreciation and amortization. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual value and useful lives annually. Future depreciation and amortization charge would be adjusted where the management believes the useful lives differ from previous estimates.

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

4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and methods of computation adopted in the preparation of the financial statements are consistent with those of the previous financial year except for as described in note 4.12.

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.

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

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

Notes to the financial statements
for the year ended 31 December 2013

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.2 Furniture and equipment (Continued)

equipment in course of construction is transferred to the relevant furniture and equipment category when it is complete. The furniture and equipment is considered complete when they are ready for intended use.

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 of less than three months 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.

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 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.

Notes to the financial statements
for the year ended 31 December 2013

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 for 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. The excess appropriations provided by the Government are treated as assistance received in advance under accounts payable and accrual and are carried forward to the next year.

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.

4.11 Operating leases

Operating lease payments are recognised in the profit or loss on a straight line basis over the term of the lease.

4.12 Standards, amendments and interpretations issued

New standards, amendments and interpretations issued and that are effective on or after 1 January 2013

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 application of this amendment had no significant impact on the financial statements of the QFC Regulatory Authority.

IFRS 13 - Fair value measurement

IFRS 13 provides a single source of guidance on how fair value is measured, and replaces the fair value measurement guidance that is currently dispersed throughout IFRS. It unifies the definition of fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It replaces and expands the disclosure requirements about fair value measurements in other IFRSs, including IFRS 7.

In accordance with the transitional provisions of IFRS 13, the Company has applied the new fair value measurement guidance prospectively and has not provided any comparative information for new disclosures. Notwithstanding the above, the change had no significant impact on the measurements of the QFC Regulatory Authority's assets and liabilities.

Improvements to IFRSs (2011)

Improvements to IFRS issued in 2011 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. There were no significant changes to the current accounting policies of the QFC Regulatory Authority as a result of these amendments.

New standards, amendments and interpretations issued but not yet effective

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2014, and have not been applied in preparing these financial statements. Those which are relevant to the Company are set out below. The Company does not plan to early adopt these standards.

IFRS 9 - Financial Instruments

IFRS 9 was issued in November 2009, amended in October 2010 and November 2013 and replaces those parts of IAS 39 relating to the classification and measurement of financial assets and financial liabilities and hedge accounting.

The mandatory effective date of IFRS 9 is not specified but will be determined when the outstanding phases are finalised. However, application of IFRS 9 is permitted. The adoption of this standard is not expected to have a significant impact on the QFC Regulatory Authority.

IAS 36 - Impairment of assets

Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. All impairment losses are recognised in the profit or loss.

Non-financial assets

The carrying amounts of the Company's non financial assets are reviewed at each statement of financial position date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated and an impairment loss is recognized in the statement of comprehensive income wherever the carrying amount exceeds the recoverable amount.

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

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

5. INTANGIBLE ASSETS

In USD '000

	Software development cost	Capital work in progress	Total
Cost			
Balance at 1 January 2012	647	-	647
Additions	97	61	158
Balance at 31 December 2012	744	61	805
Additions	62	693	755
(Transfers in / (Out	61	(61)	-
Balance at 31 December 2013	**867**	**693**	**1,560**
Accumulated amortisation			
Balance at 1 January 2012	238	-	238
Charge for the year	221	-	221
Balance at 31 December 2012	459	-	459
Charge for the year	234	-	234
Balance at 31 December 2013	**693**	**-**	**693**
Net book value			
December 2013 31	**174**	**693**	**867**
December 2012 31	285	61	346

Notes to the financial statements
for the year ended 31 December 2013

6. FURNITURE AND EQUIPMENT

In USD '000

	Furniture and fixtures	Office equipment	Leasehold improvements	Motor vehicles	Capital work in progress	Total
Cost						
Balance at 1 January 2012	857	1,848	862	27	72	3,666
Additions	5	68	-	-	2	75
Transfers	-	12	-	-	(12)	-
Disposals / write off	-	(5)		-	(43)	(48)
Balance at 31 December 2012	862	1,923	862	27	19	3,693
Additions	20	255	22	-	159	456
Transfers	-	19	-	-	(19)	-
Disposals / write off	(97)	(214)	-	(27)	-	(338)
Balance at 31 December 2013	**785**	**1,983**	**884**	**-**	**159**	**3,811**
Accumulated depreciation						
Balance at 1 January 2012	832	1,517	846	27	-	3,222
Charge for the year	13	238	16	-	-	267
Reversal on disposals	-	(1)	-	-	-	(1)
Balance at 31 December 2012	845	1,754	862	27	-	3,488
Charge for the year	15	164	2	-	-	181
Reversal on disposals	(95)	(213)	-	(27)	-	(335)
Balance at 31 December 2013	**765**	**1,705**	**864**	**-**	**-**	**3,334**
Net book value						
December 2013 31	**20**	**278**	**20**		**159**	**477**
December 2012 31	17	169	-	-	19	204

7. ACCOUNTS RECEIVABLE AND PREPAYMENTS

In USD '000

	2013	2012
Fees receivables	27	29
Prepaid expenses	994	1,088
Interest receivable	86	322
Other receivables	169	168
(Impairment of doubtful debts (Note 7.1	(17)	(16)
	1,259	1,591

7.1 Impairment of doubtful debts

	2013	2012
Opening	16	5
Provision during the year	12	11
Amount written off during the year	(11)	-
Closing	**17**	16

The ageing analysis of fees, interest and other receivables is as follows:

	2013	2012
Neither past due nor impaired	265	503
Individually impaired	17	16
	282	519

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.

Notes to the financial statements
for the year ended 31 December 2013

8. CASH AND BANK BALANCES

In USD '000

	2013	2012
Cash on hand	1	1
*Current accounts and deposits with banks	38,273	36,166
	38,274	36,167

*These represent deposits with banks held for the purpose of meeting short-term cash commitments, having interest rates up to 1.6% (2012: 2.5%).

9. EQUITY

General reserve
During the year ended 31 December 2013, USD 2,000,000 (2012: USD 4,000,000) has been transferred from the retained surplus to the general reserve account. Any transfer of amounts to and from the general reserve requires 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

	2013	2012
Accrued expenses	4,165	4,646
Government assistance received in advance	405	879
Trade payables	490	248
Employees' annual gratuity	-	75
(Due to related party (note 13.1	32	10
Advances from customers	1,846	1,801
Charges recovered	236	251
Other payables	18	12
	7,192	7,922

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

Notes to the financial statements
for the year ended 31 December 2013

11. GENERAL AND ADMINISTRATIVE EXPENSES

In USD '000

	2013	2012
Rent	1,618	1,546
Consultancy and professional fees	1,128	644
(Depreciation (note 6	181	268
(Amortisation of software costs (note 5	234	221
Media related expenses	-	46
Other expenses	1,723	1,603
	4,884	4,328

12. COMMITMENTS

	2013	2012
Estimated capital expenditure contracted but not incurred		
Software Development	527	-

	2013	2012
Minimum lease rental payable under non-cancellable commitments		
Within one year	1,662	1,561
After one year but not more than five years	1,082	2,444
Other commitments		
Within one year	267	44
After one year but not more than five years	5	-

13. 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.

13.1 Due to related parties

The balances due to related parties are as follows:

In USD '000

	2013	2012
Qatar Financial Centre Authority	32	10

13.2 Related party transactions

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

	2013	2012
Appropriations from Government	34,304	34,306
Services from QFCA	1,463	1,400
Services and expenses paid on behalf of related parties	1	15

Transactions with key management personnel

Key management personnel include Board of Directors, Chief Executive Officer, Managing Directors, Chief Operating Officer and Chief Financial Officer. Key management personnel remuneration includes the following expenses:

	2013	2012
Short-term benefits	4,408	4,344

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

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

14. 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.

14.1 Credit risk

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

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	In USD '000	
	2013	2012
Fees receivables – net of impairment	10	13
Bank balances	38,273	36,166
Interest receivables	86	322
Other receivables	169	168
	38,538	36,669

Credit risk in respect of bank balances is limited as the QFC Regulatory Authority only deals with highly reputable banks in Qatar and abroad.

Notes to the financial statements
for the year ended 31 December 2013

14.2 Liquidity risk

Liquidity risk is the risk that the QFC Regulatory Authority is unable to meet its payment obligations associated with its financial liabilities that are settled by delivering cash or another financial assets when 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 table below summarises the maturity profile of the QFC Regulatory Authority's financial liabilities at 31 December based on contractual undiscounted payments.

		Gross undiscounted cash flows	
2013	**Carrying amount**	**Contractual cash flows**	**One year or less**
Accounts payable	3,027	(3,027)	(3,027)
Total	**3,027**	**(3,027)**	**(3,027)**

		Gross undiscounted cash flows	
2012	Carrying amount	Contractual cash flows	One year or less
Accounts payable	3,276	(3,276)	(3,276)
Total	3,276	(3,276)	(3,276)

14.3 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.

Interest rate risk
Interest rate risk reflects the risk of change in interest rates, which might affect future earnings. The QFC Regulatory Authority is not exposed to interest rate risk on its interest bearing assets

Notes to the financial statements for the year ended 31 December 2013

14. FINANCIAL RISK MANAGEMENT (continued)

14.3 Market risk (continued)

(bank deposits) as the interest rate on bank deposits is fixed. 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
Equity price risk is the risk that the fair values of equities decrease as a result of changes in the levels of equity indices and the value of individual stocks. The QFC Regulatory Authority is not exposed to equity price risk since it does not hold any investment in equity instruments.

14.4 Determination of fair values

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The QFC Regulatory Authority does not have any financial assets or financial liabilities which are measured at fair value. Further, the carrying values of the QFC Regulatory Authority's financial assets and financial liabilities are the reasonable approximation of their fair values. Accordingly disclosure regarding the fair values and fair value hierarchy is not presented in these financial statements.

15. COMPARATIVE FIGURES

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

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

Table of Authorised firms

TABLE A - AUTHORISED FIRMS

	QFC No.	Name of Authorised Firm	Date of Authorisation	Legal Status
Banking Institutions				
1	3	Arab Jordan Investment Bank (Qatar) LLC	05-12-05	LLC
2	5	Credit Suisse (Qatar) LLC	01-03-06	LLC
3	27	Bank Audi LLC	21-12-06	LLC
4	45	Al Rayan Investment LLC	03-04-07	LLC
5	48	QINVEST LLC	30-04-07	LLC
6	79	BLOM Bank Qatar LLC	07-04-08	LLC
7	91	Qatar First Bank LLC	04-09-08	LLC
8	18	Barclays Bank PLC	10-09-06	Branch
9	19	Morgan Stanley & Co. International plc	12-09-06	Branch
10	26	EMIRATES NBD PJSC	12-12-06	Branch
11	32	Deutsche Bank AG Doha (QFC) Branch	28-12-06	Branch
12	41	ICICI Bank Limited	21-03-07	Branch
13	43	Citibank, N.A.	31-03-07	Branch
14	46	The Royal Bank of Scotland plc	04-04-07	Branch
15	52	BMI BANK B.S.C.(c)	28-06-07	Branch
16	53	Goldman Sachs International	09-07-07	Branch
17	66	Industrial and Commercial Bank of China Limited	31-01-08	Branch
18	73	Sumitomo Mitsui Banking Corporation	08-03-08	Branch
19	75	Union National Bank	08-03-08	Branch
20	81	Samba Financial Group	25-05-08	Branch
21	84	Coutts & Co	19-06-08	Branch
22	87	UBS AG	23-07-08	Branch
23	98	First Gulf Bank - QFC Branch	24-11-08	Branch

Table of Authorised firms

TABLE A - AUTHORISED FIRMS

	QFC No.	Name of Authorised Firm	Date of Authorisation	Legal Status
Banking Institutions (Cont.)				
24	103	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	15-01-09	Branch
25	106	Nomura International plc - QFC Branch	28-05-09	Branch
26	128	JPMorgan Chase Bank, N.A. - QFC Branch	05-01-11	Branch
27	137	State Bank of India – QFC Branch	07-04-11	Branch
28	143	Abu Dhabi Islamic Bank – QFC Branch	31-07-11	Branch
29	178	Kuwait Turkish Participation Bank Inc. Qatar Financial Centre Branch	15-09-13	Branch
Insurance, reinsurance and insurance mediation				
1	34	QIC International LLC	12-02-07	LLC
2	54	Doha Bank Assurance Company LLC	16-07-07	LLC
3	57	NascoKaraoglan Qatar LLC	08-08-07	LLC
4	85	Marsh Qatar LLC	30-06-08	LLC
5	86	Aon Qatar LLC	22-07-08	LLC
6	109	International Financial Services (Qatar) LLC	28-07-09	LLC
7	113	Guardian Wealth Management Qatar LLC	20-10-09	LLC
8	114	SEIB Insurance and Reinsurance Company LLC	21-10-09	LLC
9	115	Chedid and Associates Qatar LLC	21-10-09	LLC
10	117	Q-Re LLC	06-12-09	LLC
11	141	Q Life & Medical Insurance Company LLC	30-06-11	LLC
12	142	Daman Health Insurance Qatar LLC	27-05-12	LLC
13	24	AXA Insurance (Gulf) BSC	19-11-06	Branch
14	35	AIG MEA Limited	18-02-07	Branch
15	36	American Life Insurance Company ("ALICO")	26-02-07	Branch

TABLE A - AUTHORISED FIRMS

	QFC No.	Name of Authorised Firm	Date of Authorisation	Legal Status
16	67	Zurich International Life Limited	08-11-07	Branch
17	93	Marsh Brokers Limited	14-09-08	Branch
18	99	Nexus Financial Services WLL	30-11-08	Branch
19	101	Mitsui Sumitomo Insurance Company (Europe) Ltd.	17-12-08	Branch
20	110	MedGulf Allianz Takaful – QFC Branch	09-08-09	Branch
21	112	T'azur Company b.s.c.(c) – QFC Branch	17-09-09	Branch
22	131	Takaful International Company – QFC Branch	15-02-11	Branch
23	147	Bahrain National Insurance Company BSC (C) - QFC Branch	10-10-11	Branch
24	163	Allianz Worldwide Care Limited	13-08-12	Branch
25	166	Zurich Insurance Company Ltd. – QFC Branch	08-10-12	Branch
26	162	Lifecare International (Qatar) LLC	09-01-13	LLC
Asset Management and Investment Firms				
1	8	AXA Investment Managers LLC	23-04-06	LLC
2	12	QREIC Sukuk LLC	10-07-06	LLC
3	28	Alpen Capital Investment Bank (Qatar) LLC	21-12-06	LLC
4	69	EFG-Hermes Qatar LLC	13-12-07	LLC
5	72	Bank Sarasin-Alpen (Qatar) LLC	17-02-08	LLC
6	96	QNB Capital LLC	28-09-08	LLC
7	116	Rothschild (Qatar) LLC	18-11-09	LLC
8	129	Concordia Capital LLC	13-01-11	LLC
9	145	Amwal LLC	14-09-11	LLC
10	173	Aventicum Capital Management (Qatar) LLC	23-06-13	LLC

Table of Authorised firms

TABLE B - LICENSED FIRMS - NON-REGULATED

	QFC No.	Name of Firm	Date of License	Permitted Activities - Non-Regulated
1	4	Qatar Holding LLC	04-04-06	The business of a Holding Company
2	6	Arab Law Bureau LLP	20-03-06	Professional Services (Legal)
3	13	Pricewaterhouse Coopers - Qatar LLC	21-08-06	Professional Services (Assurance, Advisory, and Tax)
4	14	Eversheds LLP	24-08-06	Professional Services (Legal)
5	15	Eversheds Legal Services (Qatar) LLC	24-08-06	Professional Services (Legal)
6	17	Bell Pottinger Communications Limited	31-08-06	Professional Services (Public Relations)
7	20	Talent Partners in the Gulf Limited	30-10-06	Professional Services
8	23	International Legal Consultants LLC	13-11-06	Professional Services (Legal, Companies, and Trust Administration)
9	29	Clyde & Co LLP	27-12-06	Professional Services (Legal)
10	30	International Mercantile Exchange Holdings LLC	27-12-06	The business of a Holding Company
11	33	Badri and Salim El Meouchi, LLP	28-12-06	Professional Services (Legal)
12	37	Qtel International Investments LLC	01-03-07	The business of a Holding Company
13	38	Sayel M. Daher Law Offices LLC	11-03-07	Professional Services (Legal)
14	39	SKCA Morison Chartered Accountants LLC	18-03-07	Professional Services (Audit, Accounting, and Consulting)
15	47	WongPartnership LLP	22-04-07	Professional Services (Legal)

TABLE B - LICENSED FIRMS - NON-REGULATED

	QFC No.	Name of Firm	Date of License	Permitted Activities - Non-Regulated
16	50	Accenture Middle East BV	20-05-07	Professional Services (Consulting and Business Process Outsourcing)
17	51	KPMG LLC	24-05-07	Professional Services(Audit, Tax, and Advisory)
18	56	GlobeMed Qatar LLC	08-08-07	Professional Services (Third Party (re) insurance Administration)
19	58	Rödl Consulting Middle East LLC	09-08-07	Professional Services (Consulting)
20	60	Qtel Group LLC	28-08-07	Company Headquarters, Management Offices and Treasury Operations
21	64	SNR Denton & Co.	09-10-07	Professional Services (Legal)
22	68	Haggie Hepburn Qatar LLC	05-12-07	Professional Services (Public Relations)
23	74	McNair Chambers LLC	08-03-08	Professional Services (Legal)
24	76	Reed Personnel Services Qatar LLC	13-03-08	Professional Services (Recruitment Consultancy)
25	77	DLA Piper Middle East LLP	31-03-08	Professional Services (Legal)
26	80	Cunningham Lindsey Qatar LLC	19-05-08	Professional Services (Loss Adjustment)
27	83	Allied Advisors LLC	18-06-08	Professional Services (Consulting)
28	89	Latham & Watkins LLP	18-08-08	Professional Services (Legal)
29	92	Al Tamimi & Company International Ltd.	10-09-08	Professional Services (Legal)

Table of Authorised firms

TABLE B - LICENSED FIRMS - NON-REGULATED

	QFC No.	Name of Firm	Date of License	Permitted Activities - Non-Regulated
30	94	McKinsey & Company, Inc. Qatar	18-09-08	Professional Services (Management Consulting)
31	95	Citigate Dewe Rogerson Limited	23-09-08	Professional Services (PR Consulting)
32	97	Qatar Insurance Services LLC	24-11-08	Professional Services (Consulting)
33	104	Moore Stephens Services (Qatar) LLC	05-04-09	Professional Services (Accounting)
34	105	Bloomberg L.P. – QFC Branch	30-04-09	Professional Services (Multimedia)
35	107	QInvest Partners LLC	14-06-09	Operation and administration of trusts and similar arrangements
36	108	White & Case LLP	09-07-09	Professional Services (Legal)
37	118	NYSE Qatar LLC	04-02-10	Professional Services (Consulting)
38	119	Booz & Company (Qatar) LLC	07-02-10	Professional Services (Consulting)
39	120	Allen & Overy LLP - QFC Branch	09-02-10	Professional Services (Legal)
40	123	Thomson Reuters (Markets) Middle East Limited - QFC Branch	02-11-10	Professional Services (Multimedia)
41	124	Qatar Finance and Business Academy LLC	04-11-10	Business and Professional Education
42	125	Michael Page International (UAE) Limited - QFC Branch	28-11-10	Professional Services (Recruitment Consultancy Services)
43	126	QInvest Capital LP	23-12-10	Operation and administration of trusts and similar arrangements

TABLE B - LICENSED FIRMS - NON-REGULATED

	QFC No.	Name of Firm	Date of License	Permitted Activities - Non-Regulated
44	127	QGOLD LLC	05-01-11	The business of a Holding Company
45	130	SThree Qatar LLC	24-01-11	Professional Services (Recruitment Consultancy Services)
46	132	Clifford Chance International LLP (Qatar Financial Centre Branch)	21-02-11	Professional Services (Legal)
47	133	Qatar Asset Management Company LLC	28-02-11	The business of a Holding Company
48	136	Lalive in Qatar LLC	28-03-11	Professional Services (Legal)
49	138	Baker & McKenzie LLP	17-04-11	Professional Services (Legal)
50	139	Regester Larkin Limited	19-05-11	Professional Services (Consulting)
51	144	K&L Gates LLP	23-08-11	Professional Services (Legal)
52	146	Bennett Jones (Middle East) LLP	10-10-11	Professional Services (Legal)
53	148	MAYHOOLA FOR INVESTMENTS (QFC) – LLC	25-10-11	The business of a Holding Company
54	149	Herbert Smith Freehills Middle East LLP	24-11-11	Professional Services (Legal)
55	150	DIC Holding LLC	29-01-12	The business of a Holding Company
56	152	Neo Holding LLC	10-04-12	The business of a Holding Company
57	153	Retiro Holding LLC	10-04-12	The business of a Holding Company
58	154	Pinsent Masons LLP - QFC Branch	30-04-12	Professional Services (Legal)

Table of Authorised firms

TABLE B - LICENSED FIRMS - NON-REGULATED

	QFC No.	Name of Firm	Date of License	Permitted Activities - Non-Regulated
59	155	Booz Allen Hamilton Inc. - QFC Branch	30-04-12	Professional Services (Consulting)
60	156	Al-Rayyan Holding LLC	09-05-12	The business of a Holding Company
61	157	Wakra Holding LLC	09-05-12	The business of a Holding Company
62	158	WoK Holding LLC	09-05-12	The business of a Holding Company
63	159	Protiviti Member Firm Qatar LLC	10-05-12	Professional Services (Consulting)
64	160	MasterCard Qatar LLC	21-06-12	The business Activities of Management Offices
65	161	52 Champs Elysees Holding LLC	25-06-12	The business of a Holding Company
66	164	NEXtCARE Lebanon SAL, QFC Branch	15-08-12	Professional Services (Third Party (re)insurance administration)
67	165	QIC Capital LLC	11-09-12	The business of a Holding Company
68	167	Robert Half International (Dubai) Ltd. QFC Branch	06-12-12	Professional Services (Recruitment Consultancy Services)
69	168	APCO Worldwide LLC	06-12-12	Professional Services (Consulting)
70	169	Qatar Holding USA LLC	16-12-12	The business of a Holding Company
71	170	Harrods Hotels Management LLC	10-01-13	The business of a Holding Company
72	171	Hay Group LLC	06-03-13	Professional Services (Human Resources Management Consultancy Services)

TABLE B - LICENSED FIRMS - NON-REGULATED

	QFC No.	Name of Firm	Date of License	Permitted Activities - Non-Regulated
73	172	Hafez LLC	10-03-13	Professional Services (Legal)
74	174	Addleshaw Goddard (GCC) LLP	06-05-13	Professional Services (Legal)
75	175	Corporate Research and Investigations LLC - QFC Branch	27-05-13	Professional Services (Consulting)
76	176	Seven LLC	29-05-13	The business of a Holding Company
77	177	Charles Russell LLP	29-07-13	Professional Services (Legal)
78	179	ValuStrat LLC	30-10-13	Professional Services (Consulting)
79	180	Ooredoo IP LLC	18-11-13	The business activities of Management Offices
80	181	Qatar Foundation Endowment Holding LLC	01-12-13	The business of a Holding Company

Annexure 1

Annexure 1 – 2013 year-end figures

LICENSED FIRMS

Number as at 31 December	2009	2010	2011	2012	2013
Regulated	64	59	64	63	65
Non-regulated	47	45	59	76	80
Total	111	104	123	139	145

Approved Individuals

Number as at 31 December	2009	2010	2011	2012	2013
Total	521	501	561	549	564

QATAR FINANCIAL CENTRE
REGULATORY
AUTHORITY