



QATAR FINANCIAL CENTRE

**REGULATORY
AUTHORITY**

Controls Rulebook (CTRL)

Version No. 10

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Training, Competency and Miscellaneous Amendments Rules 2011
QFCRA Rules 2011-5**

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Background to this Rulebook

1. The *Regulatory Authority* considers that effective internal controls and appropriate arrangements for *Senior Management* are essential to the orderly operation of *Authorised Firms* and that failure by an *Authorised Firm* to organise its affairs properly increases risk both to that *Authorised Firm* and to other *Persons* with whom that *Authorised Firm* has dealings.
2. Failure by an *Authorised Firm* to comply with this rulebook is likely to impact on the *Regulatory Authority's* assessment of that *Authorised Firm's Fitness and Propriety*.

1 Application

1.1.1 Application of CTRL

- (1) This rulebook applies to every *authorised firm* in relation to the conduct of *regulated activities* in or from the *QFC*.
- (2) Without limiting subrule (1), this rulebook applies to—
 - (a) management structures, systems and procedures outside the *QFC* to the extent that they relate to *regulated activities* conducted in or from the *QFC*; and
 - (b) *functions exercised* by or on behalf of an *authorised firm* outside the *QFC* (including any *outsourced function*) to the extent that they relate to *regulated activities* conducted in or from the *QFC*.
- (3) However, chapter 5 (Outsourcing) does not apply to an *outsourcing of functions* by an *authorised firm* if the *functions* are *outsourced* by the firm under *COLL*, *PRIV* or *CAPI*.

2 Management Oversight

2.1 General Requirement

2.1.1 An *Authorised Firm* must appoint one or more members of its *Senior Management* to fulfil the obligations on behalf of the *Authorised Firm* set out in chapters 3 and 4.

2.1.2 The *Person* or *Persons* appointed under Rule 2.1.1 must be:

- (A) the *Person* or *Persons* performing the *Authorised Firm's Senior Executive Function*; or
- (B) a *Director* or *Senior Manager* of the *Authorised Firm's Group* responsible:
 - (i) for overall management of the *Authorised Firm's Group*; or
 - (ii) for a division of the *Authorised Firm's Group* within which all of the *Authorised Firm's Regulated Activities* fall.

Guidance

The *Regulatory Authority* considers that in most cases it will be appropriate for just one member of the *Authorised Firm's Senior Management* to fulfil these obligations.

2.2 Reporting and Record Keeping

2.2.1 The *Person* or *Persons* appointed under Rule 2.1.1 must report periodically to the *Authorised Firm's Governing Body* in respect of any issues arising from the fulfilment of the obligations set out in chapters 3 and 4.

2.2.2 An *Authorised Firm* must retain records of all reports submitted to the *Authorised Firm's Governing Body* in accordance with Rule 2.2.1 for at least six years from the date on which such reports are submitted to the *Authorised Firm's Governing Body*.

3 Allocation of Responsibilities

3.1 Allocation of Responsibilities

3.1.1 An *Authorised Firm* must allocate responsibility for all aspects of its business amongst its *Senior Management* in such a way that at all times:

- (A) all significant areas of its business are subject to appropriately senior levels of management and supervision;
- (B) the roles and the extent of the responsibilities of all *Senior Management* are clear; and
- (C) the business and affairs of the *Authorised Firm* can be effectively monitored and controlled by the relevant *Senior Management* and *Governing Body* of the *Authorised Firm*.

3.1.2 In establishing and maintaining management structures for the purposes of Rule 3.1.1 an *Authorised Firm* must have regard to all relevant factors including:

- (A) the nature, scale and complexity of each aspect of its business;
- (B) any actual or potential conflicts of interest that may arise as a result of the allocation of the relevant responsibilities; and
- (C) the ability, qualifications and experience of the relevant *Senior Management*.

3.2 Records of Allocation of Responsibilities

3.2.1 (1) An *Authorised Firm* must make a written record of all appointments and management structures it adopts for the purposes of compliance with Rule 3.1.1 and retain that record for at least six years from the date on which any such procedures are revoked or superseded.

- (2) Where responsibilities have been allocated to more than one individual, the *Authorised Firm's* records must show clearly how those responsibilities are shared or divided between the individuals concerned.

3.2.2 The records in Rule 3.2.1 must show that the relevant *Senior Management* are aware of and have accepted the responsibilities apportioned in accordance with Rule 3.2.1(2).

4 Systems, Resources, Procedures and Controls

4.1 General Requirement

4.1.1 An *Authorised Firm* must take adequate steps to ensure that its systems, resources, procedures and controls are at all times appropriate to its business having regard to all relevant factors, including:

- (A) the nature, scale and complexity of its business;
- (B) the diversity of the business and the volume of transaction it *Executes*; and
- (C) the degree of risk associated with its operations.

4.1.2 An *Authorised Firm* must undertake a review at least annually to examine and evaluate the adequacy of and effectiveness of its systems, procedures and controls and the resources allocated to them.

4.1.3 (1) Written findings of the reviews in Rule 4.1.2 must be reported to the *Authorised Firm's Governing Body* at least annually.

- (2) The reports in (1) must be retained for at least six years from the date submitted to the *Authorised Firm's Governing Body*.

Guidance

The areas typically covered by systems and controls are those identified throughout this chapter and covers some of the main issues which an *Authorised Firm* is expected to consider in establishing and maintaining the systems, procedures and controls appropriate to its business. Detailed requirements regarding systems, procedures and controls relevant to a particular activity or type of *Authorised Firm* are covered elsewhere in the *Rules*.

4.2 Organisation

4.2.1 An *Authorised Firm* must establish appropriate internal management and organisational structures, policies and procedures which must include:

- (A) mapping out of reporting lines;
- (B) procedures for reporting and communicating information, policies, and decisions to all relevant levels of the *Authorised Firm*;
- (C) clear and documented allocation of responsibilities;
- (D) procedures to monitor and control delegation and outsourcing;

- (E) segregation of responsibility for functions in respect of which conflicts of interest may arise; and
- (F) internal checks and balances such as:
 - (i) hierarchical controls;
 - (ii) cross-checking; and
 - (iii) joint responsibilities.

4.2.2 The policies and procedures in Rule 4.2.1 must be documented and communicated to all *Employees* within the *Authorised Firm*.

4.2.3 An *Authorised Firm* must, where appropriate to the scale of its business, adopt clear and documented decision making procedures and establish internal compliance mechanisms designed to ensure compliance with the policies and procedures in Rule 4.2.1.

4.3 Compliance

4.3.1 An *Authorised Firm* must establish an effective and independent compliance function including systems, controls and written policies and procedures that:

- (A) ensure compliance with applicable requirements and standards under the *Regulatory System*; and
- (B) reduce, so far as possible the risk that the *Authorised Firm* or the *Authorised Firm's* facilities may be used for the furtherance of *Financial Crime*.

4.3.2 An *Authorised Firm* must allocate adequate resources to the compliance function established for the purposes of Rule 4.3.1 including appropriate levels of staffing.

4.3.3 The systems, resources, procedures and controls required for the compliance function must be appropriate in light of the nature, scale and complexity of the *Authorised Firm's* business.

Guidance

Measures which will assist an *Authorised Firm* in ensuring that its compliance function operates independently for the purposes of Rule 4.3.1 include ensuring that staff involved in the compliance function:

- a. are not involved in performance of the services they monitor;
- b. are given the necessary authority to effectively carry out their roles including full access to all information, documents and records necessary to carry out the compliance function, and access to the *Authorised Firm's Governing Body* and *Senior Management*;
- c. have the necessary expertise to perform the functions allocated to them;
- d. are remunerated in such a way as not to undermine their independence; and
- e. have ultimate recourse to the *Authorised Firm's Governing Body*.

4.3.4 An *Authorised Firm* must appoint a member of its *Senior Management* to the *Compliance Oversight Function*.

4.3.5 The *Person* appointed under Rule 4.3.4 must have overall responsibility for:

- (A) monitoring and assessing on an ongoing basis:
 - (i) the adequacy and efficacy of the *Authorised Firm's* written compliance policies and procedures;
 - (ii) compliance with the written compliance policies and procedures; and
 - (iii) the adequacy and efficacy of measures taken to address deficiencies;
- (B) reporting on the matters in (A) to the *Authorised Firm's Governing Body*;
- (C) maintaining and updating the *Authorised Firm's* written compliance policies and procedures in conjunction with the *Authorised Firm's Senior Management*; and
- (D) providing advice and support to the *Authorised Firm's Senior Management* in respect of compliance issues.

4.4 Risk Management and Risk Control

4.4.1 An *Authorised Firm* (other than a *QFC captive insurer*) must establish and regularly review its risk management policy which must be appropriate in light of the nature, scale and complexity of its business.

4.4.2 An *Authorised Firm's* risk management policy must address:

- (A) the identification and assessment of the risks relating to the *Authorised Firm's* activities, processes and systems;
- (B) the determination of an appropriate level of risk tolerance for the *Authorised Firm*; and
- (C) arrangements for the management of those risks.

4.4.3 (1) An *Authorised Firm* must appoint an individual to advise its *Governing Body* and *Senior Management* of such risks.

- (2) An *Authorised Firm* which is part of a *Group* should be aware of the implications of any *Group* wide risk policy and system and controls regime.

4.4.4 (1) Where appropriate to the nature, scale and complexity of the *Authorised Firm's* business, an *Authorised Firm*, other than an *Insurer*, must appoint a member of its *Senior Management* to the *Risk Management Function*.

(2) An *Insurer* (other than a *QFC captive insurer*) must appoint a member of its *Senior Management* to the *Risk Management Function*.

4.4.5 The *Person* under Rule 4.4.4 must have overall responsibility for:

(A) implementing the risk management policy referred to in Rule 4.4.1;

(B) advising the *Authorised Firm's Governing Body* on risk management;

(C) reporting to *Senior Management* on risk management; and

(D) preparing periodic reports setting out an overview of risk management during the relevant period, and send a copy of such reports to the internal audit function (if the *Authorised Firm* has one) and make the report available to the external audit function; and

(E) in the case of an *Insurer*, developing, implementing, and maintaining the *Insurer's Risk Management Strategy* in accordance with PINS chapter 2.

4.4.6 If an *Authorised Firm* has a *Risk Management Function*, it must be separated from the risk taking functions in the *Authorised Firm*.

4.5 Management Information

4.5.1 An *Authorised Firm's* arrangements must be such as to ensure that its *Senior Management* receives the information it requires to identify, measure, manage and control regulatory risks in a timely and reliable manner.

Guidance

Regulatory risks which will be of particular concern to *Senior Management* include risks which relate to:

- a. services provided to *Clients*;
- b. fair treatment of *Customers*;
- (c) *client money* or client assets;
- d. confidence in the *Financial System*; and
- e. *Financial Crime*.

4.6 Employees and Agents

4.6.1 An *Authorised Firm* must have systems and controls that enable it to satisfy itself of the suitability of anyone who acts for it having regard to the role that *Person* is to have in the *Authorised Firm*, and applicable *Rules* and legislation under the *Regulatory System*.

4.6.2 An *Authorised Firm* must ensure, as far as reasonably practical, that its staff are:

- (A) fit and proper;
- (B) appropriately trained for the duties they perform; and
- (C) trained in the requirements of the legislation applicable in the *QFC*.

4.7 Audit Committee and Internal Audit

4.7.1 The review of systems, procedures and controls and the resources allocated to them undertaken in accordance with Rule 4.1.2 must, where appropriate to the nature, scale and complexity of the *Authorised Firm's* business, be performed by an internal audit function that:

- (A) has clear responsibilities and reporting lines to an audit committee or *Senior Management*;
- (B) is adequately staffed by competent individuals;
- (C) is independent of the day to day activities of the *Authorised Firm*; and
- (D) has appropriate access to the *Authorised Firm's* records.

Guidance

It may be appropriate for an *Authorised Firm* to establish an audit committee. An audit committee could typically examine management's processes for ensuring the appropriateness and effectiveness of systems and controls, examine the arrangements made by management to ensure compliance with the requirements under the *Regulatory System* and provide an interface between management and the external auditors. An effective audit committee should have formal terms of reference in which its responsibilities are clearly documented.

4.8 Business Plan

4.8.1 An *Authorised Firm* must plan its business appropriately so as to identify, manage and control regulatory risks.

4.8.2 An *Authorised Firm* must have a written business plan updated on a regular basis to take account of changes in the business environment.

4.9 Business Continuity

4.9.1 An *Authorised Firm* must have procedures in place to ensure, so far as practicable, that it can continue to function to meet its obligations under the *Regulatory System* in the event of an unforeseen interruption.

4.9.2 An *Authorised Firm* must keep its procedures adopted under Rule 4.9.1 under review, and test them periodically.

4.11 Records

4.11.1 An *Authorised Firm* must maintain appropriate records relating to its business (including accounting records) and as a minimum must comply with applicable rules and regulations under the *Regulatory System*.

Note See esp *GENE*, ch 6 (Recordkeeping) and sch 3 (Overview of recordkeeping requirements).

5 Outsourcing

5.1 Effect of Outsourcing on Authorised Firms

5.1.1 Authorised firm remains responsible for outsourced functions

- (1) This rule applies if an *authorised firm outsources a function*.
- (2) The *outsourcing* of the *function* does not relieve the *authorised firm* from any regulatory obligations in relation to the *outsourced function*.
- (3) The *authorised firm* remains responsible for ensuring—
 - (a) that all *QFC* regulatory requirements are complied with in relation to the *outsourced function*; and
 - (b) that the *outsourced function* is otherwise properly *exercised*.

5.1.2 An *Authorised Firm* must not enter into an *Outsourcing* arrangement which may adversely impact on the *Regulatory Authority's* ability to supervise the activities of the *Authorised Firm*.

5.1.3 An *Authorised Firm* that *Outsources* any of its functions must take steps to mitigate against any operational risk that may be relevant.

5.2 Notification of material outsourcing arrangements

5.2.1 Material outsourcing arrangement not to be entered into without prior notice

An *authorised firm* must not enter into a *material outsourcing* arrangement unless it gave notice to the *Regulatory Authority* of its intention to enter into the arrangement at least 30 *business days* before the day it enters into the arrangement.

5.2.2 Requirement to give additional information about material outsourcing arrangement

- (1) The *Regulatory Authority* may, by *written* notice given to an *authorised firm*, require the firm to give the authority, within a stated reasonable period, stated information about a *material outsourcing* arrangement (or proposed *material outsourcing* arrangement) that the authority reasonably needs to enable it to decide whether the arrangement complies with this chapter.
- (2) The *authorised firm* must comply with the requirement.
- (3) The power given by this rule is additional to the *Regulatory Authority's* other powers.

Note See eg *Financial Services Regulations*, art 48 (Powers to obtain documents and information).

5.3 Management of Material Outsourcing Arrangements

5.3.1 An *Authorised Firm* must exercise due skill, care and diligence in selecting, entering into, managing and exiting from *Material Outsourcing* arrangements.

5.3.2 An *Authorised Firm* must ensure that:

- (A) *Senior Management* (or, in the case of a firm that is a *QFC captive insurer*, the firm's *governing body*) approves and periodically reviews the *Authorised Firm's* policy for outsourcing operational functions including its procedures for:
 - (i) the assessment of feasibility;
 - (ii) the assessment of risk;
 - (iii) the assessment of impact on the *Authorised Firm's* business;
 - (iv) costing of the *Material Outsourcing*; and
 - (v) the criteria for selecting the service providers; and
- (B) the service provider has the ability and capacity to perform the outsourced functions reliably and professionally at the start and during the life cycle of the *Material Outsourcing* having regard to the following non-exhaustive factors:
 - (i) whether the service provider is regulated, to what extent, and by whom;
 - (ii) whether the provision of the outsourced function is subject to specific regulation or supervision;
 - (iii) the risk that the requested services are not available due to the number of other persons using the same service provider;
 - (iv) the financial stability and expertise of the service provider; and
 - (iv) potential conflicts of interest that may arise from the provision of the service by the service provider.

5.3.3 The *Authorised Firm* must enter into a written agreement with the service provider which requires the service provider:

- (A) to deal with the *Regulatory Authority* in an open and co-operative way in respect of matters relating to the *Authorised Firm* under the *Material Outsourcing*; and
- (B) to grant the *Regulatory Authority* access to the *Authorised Firm's* books, records and data in the possession or control of the service provider.

5.3.4 The written agreement referred to in Rule 5.3.3 must also include, where appropriate, provisions as to:

- (A) the law applicable to the contract;
- (B) the reporting or notification requirements on the service provider and the means for measuring quantitative and qualitative performance by the service provider;
- (C) access to the *Authorised Firm's* books, records and data in the possession or control of the service provider by the *Authorised Firm*, its internal auditors, external auditors or actuaries;
- (D) the obligation to protect confidential information and *Personal Data*;
- (E) the contingency procedures;
- (F) the rules for subcontracting if permitted under the arrangement; and
- (G) the termination rights for each party.

5.3.5 An *Authorised Firm* must ensure that it has a comprehensive contingency arrangement to allow business continuity in the event of a significant loss of services from the service provider under a *Material Outsourcing* including an exit strategy, and where appropriate partial exit and step-in clauses. These arrangements must include, among other things:

- (A) a significant loss of resources at the service provider;
- (B) financial failure of the service provider; and
- (C) unexpected termination of the *Outsourcing* agreement.

Endnotes

1 Abbreviation key

a	=	after	ins	=	inserted/added
am	=	amended	om	=	omitted/repealed
amdt	=	amendment	orig	=	original
app	=	appendix	par	=	paragraph/subparagraph
art	=	article	prev	=	previously
att	=	attachment	pt	=	part
b	=	before	r	=	rule/subrule
ch	=	chapter	renum	=	renumbered
def	=	definition	reloc	=	relocated
div	=	division	s	=	section
g	=	guidance	sch	=	schedule
glos	=	glossary	sdiv	=	subdivision
hdg	=	heading	sub	=	substituted

2 Rulebook history

Controls Rulebook (CTRL)

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Controls Rulebook Rule Making Instrument No. 2, 2005 (RM02/2005)

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Prudential – Insurance Rulebook Rule Making Instrument No. 2006/01 (RM2006/01 annex B)

Made 5 September 2006

Commenced 1 October 2006

Version No. 2

Conduct of Business Rulebook Rule Making Instrument 2007 (RM2007/01 att C)

Made 28 June 2007

Commenced 1 July 2007

Version No. 3

Rulebooks (Miscellaneous Amendments) Rules 2008 (RM2008/01 sch 2, pt 2.5)

Made 30 March 2008

Commenced 7 April 2008

Version No. 4

Miscellaneous Amendments Rules 2009 (QFCRA Rules 2009-2 sch 1, pt 1.5)

Made 6 December 2009

Commenced 6 December 2009

Version No. 5

Miscellaneous Amendments Rules 2010 (QFCRA Rules 2010-1 sch 1, pt 1.1 and sch 2, pt 2.3)

Made 3 February 2010
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Version No. 6

Miscellaneous Amendments Rules 2010 (No 2) (QFCRA Rules 2010-4 sch 1, pt 1.4 and sch 2, pt 2.5)

Made 19 September 2010
r 1 to 4 commenced 19 September 2010
sch 1, pt 1.4 and sch 2, pt 2.5 commenced 1 October 2010
Version No. 7

Asset Management (Repeal and Amendment) Rules 2010 (QFCRA Rules 2010-7 sch 1, pt 1.3)

Made 5 December 2010
Commenced 1 January 2011
Version No. 8

Captive Insurance Business (Consequential Amendments) Rules 2011 (QFCRA Rules 2011-2 sch 1, pt 1.2)

and

Insurance Mediation Business (Consequential Amendments) Rules 2011 (QFCRA Rules 2011-4 sch 1, pt 1.4)

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Version No. 9

Training, Competency and Miscellaneous Amendments Rules 2011 (QFCRA Rules 2011-5 sch 2, pt 2.2)

Made 4 December 2011
Commenced 1 January 2012
Version No. 10

3 Amendment history

Application

s 1.1hdg om Rules 2010-7

Application of CTRL

r 1.1.1 sub RM2007/01; Rules 2010-7;
am Rules 2011-4

r 1.1.2 sub RM2007/01

r 2.1.2 am Rules 2011-5

r 4.1.3 am Rules 2011-4

r 4.4.1 am Rules 2011-4

r 4.4.4 sub RM2006/01
am Rules 2011-4

r 4.4.5 am RM2006/01

r 4.5.1g am Rules 2011-4

Professional indemnity insurance for insurance mediation business

s 4.10hdg (orig s 4.10hdg) renum as s 4.11hdg
ins RM2007/01

s 4.10 om Rules 2011-4

Applications—s 4.10

r 4.10.1 (orig r 4.10.1) ins RM 2007/01
renum as r 4.11.1
am RM 2007/01; RM 2008/01
(prev r 4.10.2) ins RM 2007/01
renum as r 4.10.1 (2) Rules 2010-1
(prev r 4.10.3) ins RM 2007/01
renum as r 4.10.1 (3) Rules 2010-1
(prev r 4.10.4) ins RM 2007/01
renum as r 4.10.1 (4) Rules 2010-1
(r 4.10.1) am 2010-4
om Rules 2011-4

Requirements for taking out and maintaining professional indemnity insurance

r 4.10.2 (prev r 4.10.5) ins RM 2007/01
sub Rules 2010-1
renum as r 4.10.2 Rules 2010-1
(r 4.10.2) am Rules 2010-4
om Rules 2011-4

Requirements for professional indemnity insurance policies

r 4.10.3 (orig r 4.10.3) ins RM 2007/01
renum as r 4.10.1 (3)
(prev r 4.10.6-r 4.10.12) ins 2007/01
am Rules 2010-1
renum as r 4.10.3 Rules 2010-1
om Rules 2011-4

r 4.10.4 renum as r 4.10.1 (4)

r 4.10.5 renum as r 4.10.2

r 4.10.6 renum as r 4.10.3 (1)

r 4.10.7 renum as r 4.10.3 (2)

r 4.10.8 renum as r 4.10.3 (3)

r 4.10.9 renum as r 4.10.3 (4)

r 4.10.10 renum as r 4.10.3 (5)

r 4.10.11 renum as r 4.10.3 (6)

r 4.10.12 renum as r 4.10.3 (7)

Records

s 4.11hdg (prev s 4.10hdg) renum as s 4.10 hdg RM2007/01

r 4.11.1 (prev r 4.10.1) renum as r 4.11.1 RM2007/01
am Rules 2009-2

Authorised firm remains responsible for outsourced functions

r 5.1.1 sub Rules 2010-7

Notification of material outsourcing arrangements

s 5.2hdg sub Rules 2009-2

Material outsourcing arrangement not to be entered into without prior notice

r 5.2.1 sub Rules 2009-2
am Rules 2010-4

Requirement to give additional information about material outsourcing arrangement

r 5.2.2 sub Rules 2009-2
am Rules 2010-4

r 5.3.2 am Rules 2011-4