



qatar

FINANCIAL CENTRE

REGULATORY AUTHORITY

Individuals Rulebook (INDI)

Version No. 1

Effective: 13 October 2005–30 September 2006

Rules not amended

TABLE OF CONTENTS

	Background.....	3
1	Application	4
	1.1 Application	4
2	Controlled Functions	5
	2.1 Description of Controlled Functions.....	5
	2.2 Additional Requirements for specific Controlled Functions.....	6
	2.3 Required Functions.....	7
3	Applications	8
	3.1 Application to register as an Approved Individual.....	8
	3.2 Application for modification of Approved Individual status.....	8
	3.3 Application for withdrawal of Approved Individual status.....	8
4	Fitness and Propriety	9
	4.1 Authorised Firm’s assessment of Individuals	9
	4.2 Regulatory Authority’s assessment of Individuals.....	9
	4.3 Honesty, Integrity and Reputation.....	9
	4.4 Competence and Capability	10
	4.5 Financial Soundness	10
5	Competence, Training and Supervision	11
	5.1 Suitability and Competence	11
	5.2 Training and Supervision	11
	5.3 Record Keeping.....	12
6	Performance of Controlled Functions	13
	6.1 Multiple Appointments	13
	6.2 Temporary Cover.....	13
7	Principles	15
	7.1 Principles of Conduct for Approved Individuals	15
App 1	Guidance on Fitness and Propriety of Approved Individuals	16
	A1.1 Honesty, Integrity and Reputation	16
	A1.2 Competence and Capability	17
	A1.3 Financial Soundness	17
	Endnotes.....	18

Background to this Rulebook

1. This rulebook further clarifies the statements and requirements set out in the *FSR* relating to the performance of *Controlled Functions* by individuals.
2. The *Principles of Conduct for Approved Individuals* is drawn up in accordance with Article 15(3) of the *FSR* and have the status of *Rules*. A breach of these principles may form the basis of disciplinary action by the *Regulatory Authority*. The *Principles of Conduct* are a general statement of the standards expected of *Approved Individuals* and apply directly to the conduct of business and carrying out of *Controlled Functions* by *Approved Individuals*.
3. The *Principles of Conduct* are not exhaustive of the standards expected. Conformity with the principles does not absolve a failure to observe other requirements in the *Rulebooks*, while the observance of other requirements in the *Rulebooks* does not necessarily amount to conformity with the *Principles of Conduct*.
4. Failure by an *Approved Individual* to comply adequately with the *Principles of Conduct* is likely to impact on the *Regulatory Authority's* assessment of that *Approved Individual's Fitness and Propriety*.

Financial Services Regulations

Article 41 of *FSR* provides as follows:

Approved Persons performing Controlled Functions

- (1) An Authorised Firm must ensure that no individual acting for:
 - (A) the Authorised Firm; or
 - (B) a contractor of the Authorised Firmperforms a Controlled Function for that Authorised Firm unless the individual is approved by the Regulatory Authority as an Approved Individual.
- (2) Controlled Function means a function which involves:
 - (A) the exercise of significant influence over the conduct of the firm's affairs in relation to Regulated Activities;
 - (B) dealing directly with clients or customers in relation to Regulated Activities; or
 - (C) dealing with the property of clients or customersand is specified as a Controlled Function in Rules issued by the Regulatory Authority from time to time.
- (3) The Regulatory Authority shall make Rules detailing:
 - (A) the procedure for Application to the Authority for registration as an Approved Individual including requirements as to the form and content of the Application, any fees payable by an Authorised Firm in respect of its Approved Individuals and the procedures for modification or withdrawal of an Approved Individual's registration;
 - (B) principles or other requirements to which Approved Individuals are required to adhere in the performance of Controlled Functions;
 - (C) requirements for Approved Individuals to report to the Regulatory Authority; and
 - (D) the circumstances in which registration of an Approved Individual may be withdrawn at the instance of the Regulatory Authority.

1 Application

1.1 Application

- 1.1.1** This rulebook (*INDI*) applies to an *Authorised Firm* operating, or applying to operate, in or from the *QFC* and to individuals carrying on or applying to be registered to carry on *Controlled Functions*.

2 Controlled Functions

Guidance

1. Although job titles may be indicative of a function performed, the test as to whether or not an individual is carrying on any particular *Controlled Function* outlined under section 2.1 is whether the activity or role that individual performs for or on behalf of an *Authorised Firm* falls within the description of that *Controlled Function*.
2. The *Regulatory Authority* is of the view that in most cases it will be prudent for an *Authorised Firm* to have a contractual relationship with any individual carrying on a *Controlled Function* for or on behalf of the *Authorised Firm* to govern the manner in which that *Controlled Function* is performed. However, an individual may carry on a *Controlled Function* for an *Authorised Firm* even if there is no contractual relationship between the individual and the *Authorised Firm*. For example, the regional head of an *Authorised Firm's Group* may have no direct contractual relationship with an *Authorised Firm* but may carry on the *Senior Executive Function* for that *Authorised Firm*.

2.1 Description of Controlled Functions

2.1.1 Each of the functions described in Rules 2.1.2 to 2.1.10 are a *Controlled Function* for the purposes of Article 41(2) of the *FSR*.

Senior Executive Function

2.1.2 The *Senior Executive Function* is the function of having overall responsibility alone or jointly with one or more individuals:

- (A) for the conduct of the whole of the business of an *Authorised Firm*; or
- (B) in the case of an *Authorised Firm* established outside the *QFC* operating through a branch in the *QFC* (a *Non-Local Firm*), for the business of the *Authorised Firm* carried out in or from the *QFC*.

Guidance

In most cases, the *Regulatory Authority* would expect an *Authorised Firm* to have one individual performing the *Senior Executive Function*.

Executive Governance Function

- 2.1.3** (1) Subject to (2), the *Executive Governance Function* is the function of acting in the capacity of a *Director*, other than a *Non-Executive Director*, of an *Authorised Firm*.
- (2) The *Executive Governance Function* does not extend to *Directors* of a *Non-Local Firm* who are not responsible for the *Regulated Activities* carried on by that *Authorised Firm* in or from the *QFC*.

Non-Executive Governance Function

2.1.4 The *Non-Executive Governance Function* is the function of holding a position on the *Governing Body* of a *Local Firm* but not having responsibility for the day-to-day direction of a *Local Firm's* affairs.

Compliance Oversight Function

2.1.5 The *Compliance Oversight Function* is the function of having responsibility for compliance matters of an *Authorised Firm* as provided in CTRL section 4.3.

Risk Management Function

2.1.6 The *Risk Management Function* is the function of having responsibility in relation to setting and controlling an *Authorised Firm's* risk exposure as provided in CTRL section 4.4.

Finance Function

2.1.7 The *Finance Function* is the function of having responsibility for ensuring that an *Authorised Firm* complies with the *Regulatory Authority's* prudential requirements.

Money Laundering Reporting Function

2.1.8 The *Money Laundering Reporting Function* is the function of acting as an *Authorised Firm's* MLRO in accordance with the duty in Article 8 of the *AML Regulations*.

Senior Management Function

2.1.9 The *Senior Management Function* is carried on by an individual who has significant responsibility either alone or with others for management and supervision of one or more elements of an *Authorised Firm's* business relating to its *Regulated Activities* other than those matters identified in Rules 2.1.2 to 2.1.8.

Customer Facing Function

2.1.10 The *Customer Facing Function* is the function of carrying on one or more of the following *Regulated Activities* with or for a *Customer* on behalf of an *Authorised Firm* in or from an establishment of the *Authorised Firm* in the *QFC*:

- (A) *Dealing in Investments*;
- (B) *Managing Investments*;
- (C) *Advising on Investments*; and
- (D) *Arranging Deals in Investments*.

2.2 Additional Requirements for specific Controlled Functions

2.2.1 The *Senior Executive Function* must be carried out by an individual who:

- (A) in the case of a *Local Firm* is ordinarily resident in the *State*; and
- (B) in the case of a *Non-Local Firm* spends an appropriate proportion of his time in the *State* having regard to responsibilities that the *Senior Executive Function* entails.

- 2.2.2** The *Money Laundering Reporting Function* must be carried out by an individual ordinarily resident in the *State*.
- 2.2.3** Subject to Rule 2.2.4, the *Regulatory Authority* will only register one individual for the *Compliance Oversight Function* in respect of an *Authorised Firm*.
- 2.2.4** The *Regulatory Authority* may, if it considers it appropriate in the circumstances, register more than one individual to perform the *Compliance Oversight Function* in respect of different internal business divisions within a large *Authorised Firm* provided that one individual is appointed with responsibility for the overall *Compliance Oversight Function* for the whole of the *Authorised Firm*.

2.3 Required Functions

- 2.3.1** Every *Authorised Firm* must have at least one individual registered to carry on the following functions:
- (A) *Senior Executive Function*;
 - (B) *Compliance Oversight Function*;
 - (C) *Finance Function*; and
 - (D) *Money Laundering Reporting Function*.
- 2.3.2** If more than one individual is appointed to perform any of the *Controlled Functions* listed in Rule 2.3.1 the *Authorised Firm* must ensure that the allocation of responsibility for the purposes of CTRL section 3.1 clearly avoids duplication or omission.

3 Applications

3.1 Application to register as an Approved Individual

- 3.1.1** An application to register as an *Approved Individual* must be made in writing on the relevant *QFC Form*, signed by the individual who will be performing the *Controlled Function* and a *Senior Manager* and the individual performing the *Compliance Oversight Function* on behalf of the *Authorised Firm*.
- 3.1.2** For the purposes of Rule 3.1.1 an *Authorised Firm* includes an *Applicant for Authorised Firm* status.

Guidance

A *Person* submitting an application under Rule 3.1.1 is required to pay the appropriate application fee as set out in *GENE* chapter 9.

3.2 Application for modification of Approved Individual status

- 3.2.1** An application to modify an individual's registration as an *Approved Individual* must be made in writing on the relevant *QFC Form*, signed by the *Approved Individual* and by a *Senior Manager* and the individual performing the *Compliance Oversight Function* on behalf of the *Authorised Firm*, indicating clearly any matters which have changed since the original application.

3.3 Application for withdrawal of Approved Individual status

- 3.3.1** An application to withdraw an individual's registration as an *Approved Individual* must be made in writing on the relevant *QFC Form* and signed by a *Senior Manager* and the individual performing the *Compliance Oversight Function* on behalf of the *Authorised Firm* giving details of the *Controlled Functions* in respect of which withdrawal of registration is required.
- 3.3.2** Where an individual in respect of whom an *Authorised Firm* makes an application for withdrawal under Rule 3.3.1 has been dismissed, suspended or is under investigation by that *Authorised Firm*, the *Authorised Firm* must indicate this fact on the form and provide details of any matters of which it is aware that may impact on the *Regulatory Authority's* assessment of the relevant individual's *Fitness and Propriety*.

Guidance

Under the *FSR*, the *Regulatory Authority* may also:

- a. impose or vary conditions, restrictions or requirements, on the approval of an *Approved Individual*; or
- b. withdraw the *Approved Individuals* approval or vary its approval to remove one or more *Controlled Functions*

in the circumstances identified in Article 46 of the *FSR*.

4 Fitness and Propriety

4.1 Authorised Firm's assessment of Individuals

- 4.1.1** Before lodging an application with the *Regulatory Authority*, an *Authorised Firm* must make reasonable enquiries as to an individual's fitness and propriety to carry out a *Controlled Function*.
- 4.1.2** In making enquiries prior to lodging an application and in considering whether an *Approved Individual* remains fit and proper, an *Authorised Firm* should have regard to the matters considered by the *Regulatory Authority* detailed in chapters 4 and 5 as well as the guidance contained in Appendix 1.
- 4.1.3** An *Authorised Firm* must not lodge an application if it has reasonable grounds to believe that the individual is not fit and proper to carry out the *Controlled Function*.
- 4.1.4** An *Authorised Firm* remains responsible for the conduct of its *Approved Individuals* once they are approved and for ensuring that they remain fit and proper to carry out their role.

4.2 Regulatory Authority's assessment of Individuals

- 4.2.1** In considering an application for registration of an individual to perform a *Controlled Function* the *Regulatory Authority* will make an assessment of that individual's fitness and propriety to perform that *Controlled Function*.
- 4.2.2** (1) When making an assessment of an individual to determine the fitness and propriety of the individual, the *Regulatory Authority* will have regard to the principal criteria specified under sections 4.3 to 4.5 of:
- (A) honesty, integrity and reputation;
 - (B) competence and capability; and
 - (C) financial soundness.
- (2) Each application will be assessed on a case by case basis, and the criteria will be considered in the circumstances.

4.3 Honesty, Integrity and Reputation

- 4.3.1** Pursuant to Rule 4.2.2, in considering the honesty, integrity and reputation of an individual to be registered or remain registered as an *Approved Individual*, the *Regulatory Authority* will without limitation in assessing the likely impact that an individual's reputation may have on the *Authorised Firm* and on the *QFC*, take into account:

- (A) past, ongoing and pending legal actions, whether such action takes the form of civil or criminal proceedings;
- (B) investigations undertaken, and disciplinary actions or sanctions taken by a court, governmental body, regulator, clearing house or exchange of that individual and any contravention of the rules, principles, guidance or standards of a clearing house, exchange or regulator;
- (C) justifiable complaints made against that individual in respect of his standard of conduct with regard to activities subject to regulation inside or outside the *QFC*; and
- (D) that individual's involvement with any business that has:
 - (i) become insolvent within one year of that individual's involvement of the business;
 - (ii) had any licence, registration, authority or permission to trade removed or suspended, or has been refused any licence, registration, authority or permission to trade, or has been expelled by a regulatory or governmental body; or
 - (iii) been investigated, disciplined, censured, suspended or criticised by any regulator or professional body or tribunal whether publicly or privately; and
- (E) whether that individual has been dismissed, or asked to resign and resigned, from a position of trust or fiduciary appointment.

4.4 Competence and Capability

4.4.1 Pursuant to Rule 4.2.2, when considering whether an individual is competent and capable to perform the *Controlled Functions* for which approval is sought, the *Regulatory Authority* will have regard to the ability of that individual to meet the suitability and competence requirements prescribed in chapter 5.

4.5 Financial Soundness

4.5.1 Pursuant to Rule 4.2.2, when considering an individual's financial history, the *Regulatory Authority* will have regard to:

- (A) any failure to pay a judgement debt or award made against that individual;
- (B) any arrangements made with that individual's creditors;
- (C) whether that individual has filed for bankruptcy, had a bankruptcy petition served on him, been adjudged bankrupt, or has been the subject of any bankruptcy restriction order; and
- (D) whether that individual has had any assets sequestered.

5 Competence, Training and Supervision

5.1 Suitability and Competence

- 5.1.1** An *Authorised Firm* must not allow any individual to perform a *Controlled Function* for it or on its behalf unless it is satisfied that the individual is suitable and competent to carry on that *Controlled Function*.
- 5.1.2** In assessing the competence of an individual to perform a *Controlled Function* an *Authorised Firm* should carry out appropriate investigations as to the skill, experience, background and qualifications of that individual having regard to the nature and complexity of the relevant *Controlled Function* in the context of the *Regulated Activities* carried on by the *Authorised Firm*.
- 5.1.3** An *Authorised Firm* may not assess an individual as competent to perform the *Compliance Oversight Function* or the *Money Laundering Reporting Function* unless it is satisfied that the individual has adequate knowledge of the *AML Regulations*.
- 5.1.4** In assessing the suitability of an individual to perform a *Controlled Function* an *Authorised Firm* should have regard to all relevant factors including matters which may impact on that individual's *Fitness and Propriety*.
- 5.1.5** An *Authorised Firm* must make written records of the criteria used to assess the suitability and competence of any individual who it allows to perform a *Controlled Function* and the findings in respect of that individual's fitness and propriety, and keep such records for at least six years after the individual ceases to perform the relevant *Controlled Function*.

5.2 Training and Supervision

Continuing Competence

- 5.2.1** An *Authorised Firm* must implement appropriate procedures to ensure that an individual it has assessed as competent is and remains competent taking into account the functions they perform and any changes to the products and services offered by the *Authorised Firm*, the types of *Client* with which the *Authorised Firm* deals and any changes in the *Regulatory System*.
- 5.2.2** Procedures implemented by an *Authorised Firm* must include appropriate training whether provided internally at the *Authorised Firm* or by an external provider.
- 5.2.3** An *Authorised Firm* must ensure that junior *Employees* and *Employees* not familiar with the *Regulatory System* are appropriately supervised in the performance of *Controlled Functions*.

5.3 Record Keeping

- 5.3.1** *An Authorised Firm* must make records of the steps it has taken to comply with section 5.2 for at least six years from the date on which those steps were taken.

6 Performance of Controlled Functions

6.1 Multiple Appointments

6.1.1 An individual may carry on *Controlled Functions* for more than one *Authorised Firm* provided that:

- (A) each such *Authorised Firm* confirms to the *Regulatory Authority*:
 - (i) that it is aware of the *Controlled Functions* which that individual carries out for any other *Authorised Firm*; and
 - (ii) that it is satisfied that no conflict of interest will arise from the performance by that individual of those *Controlled Functions* for such other *Authorised Firm*; and
- (B) the *Regulatory Authority* is satisfied that no such conflicts of interest will arise.

6.1.2 An individual may carry on more than one *Controlled Function* for an *Authorised Firm* provided that the *Authorised Firm* is satisfied that the performance of such *Controlled Functions* does not give rise to any internal or external conflicts of interest and is appropriate having regard to the nature, scale and complexity of the business carried on by that *Authorised Firm*.

Guidance

An individual registered for the *Customer Facing Function* should not also be registered for the *Compliance Oversight Function* or any similar control function.

6.2 Temporary Cover

6.2.1 An *Authorised Firm* which is a *Non-Local Firm* or which is part of wider group of regulated entities, may permit an individual who is an *Employee* of the *Authorised Firm* or the *Authorised Firm's Group* to carry out a *Customer Facing Function* during one or more occasional visits to the *QFC*, without requiring such an individual to have *Approved Individual* status, provided:

- (A) such visits do not exceed 45 days in any consecutive 12 months;
- (B) the individual is appropriately supervised by the *Authorised Firm*;
- (C) the individual is approved, authorised, licensed or otherwise registered by an *Overseas Regulator* to undertake an equivalent role for the *Authorised Firm* or *Group*;
- (D) the individual has been assessed by the *Authorised Firm* as fit and proper having the relevant skills and experience commensurate with the role to be performed; and
- (E) prior notification is given to the *Regulatory Authority*.

6.2.2 Where an individual is appointed under Rule 6.2.1 the *Regulatory Authority* may exercise any powers as it would otherwise be entitled to do, as if the individual held *Approved Individual* status.

7 Principles

7.1 Principles of Conduct for Approved Individuals

7.1.1	AI Principle 1 Integrity	An <i>Approved Individual</i> must act with integrity at all times in the carrying out of <i>Controlled Functions</i> .
7.1.2	AI Principle 2 Due Skill, Care and Diligence	An <i>Approved Individual</i> must act with due skill, care and diligence in the carrying out of <i>Controlled Functions</i> .
7.1.3	AI Principle 3 Market Conduct	An <i>Approved Individual</i> must observe appropriate standards of market conduct in the carrying out of <i>Controlled Functions</i> .
7.1.4	AI Principle 4 Relations with the Regulator	An <i>Approved Individual</i> must deal with the <i>Regulatory Authority</i> in an open and cooperative manner and disclose appropriately to the <i>Regulatory Authority</i> any information of which the <i>Regulatory Authority</i> would reasonably expect notice.
7.1.5	AI Principle 5 Management and Compliance	An <i>Approved Individual</i> who is a <i>Senior Manager</i> must give appropriate priority to his management responsibilities and ensure that the business of the <i>Authorised Firm</i> for which he is responsible is effectively supervised and controlled and complies with the relevant requirements of the <i>Regulatory System</i> .

App 1 Guidance on Fitness and Propriety of Approved Individuals

Guidance

When making enquiries prior to lodging an application and in considering whether an *Approved Individual* remains fit and proper an *Authorised Firm* should have regard to the matters outlined in sections A1.1, A1.2 and A1.3.

A1.1 Honesty, Integrity and Reputation

Guidance

Pursuant to Rule 4.3.1 in respect of the individual's honesty, integrity and reputation the *Authorised Firm* should consider among other relevant things, whether the individual has ever:

- a. been convicted or found guilty of any offences relating to fraud, theft, false accounting, serious tax offences, dishonesty, money laundering, market manipulation, insider dealing or any other financial sector crimes;
- b. been refused entry to, been dismissed from, or requested to resign from any profession, position of trust or fiduciary office whether or not remunerated;
- c. been refused, restricted in, or had suspended, the right to carry on any business or trade for which specific licence, registration or other authority is required;
- d. been disqualified by a court from acting as a *Director* or in any other management capacity of any *Company*, *Partnership* or other legal entity;
- e. been censured, criticised, suspended, expelled, fined or been the subject of any investigation, intervention or disciplinary proceedings by any *Overseas Regulator* or equivalent body;
- f. resigned or been required to resign from any such body;
- g. been a *Director*, *Partner* or otherwise involved in the management of a *Company*, *Partnership* or other related entity in any jurisdiction where either whilst involved or within one year of that association ending the entity has been wound up, put into liquidation, ceased trading, placed in receivership or administration or negotiated a settlement with creditors;
- h. been subject to any conviction or adverse finding of any court for fraud, misconduct, wrongful trading or other misconduct;
- i. been involved in the management of a *Company*, *Partnership* or other legal entity which has been subject to an investigation under companies or other such legislation for malpractice or misconduct;
- j. been the subject of disciplinary procedures by a government body, agency or other self regulatory body or organisation;
- k. the subject of a formal complaint in connection with financial services or ancillary services which relates to his/her integrity, competence or financial soundness;
- l. contravened any provision of financial services rules, legislation, code of practise or principle or other ethical standards as defined by any *Overseas Regulator* or similar such body; and
- m. whether the *Approved Individual* has been candid and truthful in all his dealings with the *Regulatory Authority*.

A1.2 Competence and Capability

Guidance

Pursuant to Rule 4.4.1 in respect of an individual's competence and capability an *Authorised Firm* should consider amongst other relevant things:

- a. the securing of appropriate examination passes and competence assessments; and
- b. whether the individual is capable of performing functions which the *Authorised Firm* or applicant employs or intends to employ him to perform.

A1.3 Financial Soundness

Guidance

Pursuant to Rule 4.5.1 in respect of the financial soundness of an individual, an *Authorised Firm* should consider, amongst other relevant things:

- a. whether the individual is able to meet his debts as they fall due; and
- b. whether the individual has been adjudged bankrupt, been the subject of a receiving or administration order, had a bankruptcy petition served on him, had his estate sequestrated, entered into a deed of arrangement (or any contract in relation to a failure to pay due debts) in favour of his creditors or, within the last 10 years, has failed to satisfy a judgement debt under a court order, whether in the *State* or elsewhere.

Endnotes

1 Abbreviation key

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

2 Rulebook history

Individuals Rulebook (INDI)

made by

Individuals Rulebook Rule Making Instrument No. 3, 2005 (RM3/2005)

Made 13 October 2005

Commenced 13 October 2005

Version No. 1