



QATAR FINANCIAL CENTRE

**REGULATORY
AUTHORITY**

Individuals Rules 2005 (INDI)

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(QFCRA Rules 2012-5)**

**Repealed by
Individuals (Assessment, Training and Competency) (Consequential) and
Miscellaneous Amendments Rules 2014
(QFCRA Rules 2014-6)**

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Chapter 1 **General provisions**

1.1.1 **Name of rules**

These rules are the *Individuals Rules 2005* (or INDI).

1.1.2 **Glossary**

The glossary at the end of these rules is part of these rules.

Note 1 There are also relevant definitions in the INAP glossary. To assist the reader, the application of a definition in that glossary would usually be indicated by the word(s) being in italics (other than bold italics).

Note 2 By contrast, the application of a definition in the glossary in these rules is not indicated by the word(s) being in italics.

Note 3 For the application of definitions, see INAP, rule 2.1.8 (Application of definitions).

Note 4 A note on or to these rules is explanatory and is not part of the rules (see INAP, rule 2.1.6 (1) and rule 2.1.7).

Note 5 However, examples and guidance are part of these rules (see INAP, rule 2.1.4 (1) (b) and (2)).

Note 6 An example is not exhaustive, and may extend, but does not limit the meaning of these rules or the particular provision of these rules to which it relates (see INAP, rule 2.1.5).

Note 7 For the effect of guidance, see FSR, article 17 (4).

1.1.3 **Application of INDI**

These rules apply to—

- (a) an authorised firm operating, or applying to operate, in or from the QFC; and
- (b) an individual approved, or applying for approval, to perform a controlled function.

Chapter 2 Principles of conduct for approved individuals

2.1.1 Principle 1—integrity

An approved individual must act with integrity at all times in exercising a controlled function.

2.1.2 Principle 2—due skill, care and diligence

An approved individual must act with due skill, care and diligence in exercising a controlled function.

2.1.3 Principle 3—market conduct

An approved individual must observe appropriate standards of market conduct in exercising a controlled function.

2.1.4 Principle 4—relations with the Regulatory Authority

An approved individual must deal with the Regulatory Authority in an open and cooperative manner, and must disclose appropriately to the authority any information of which the authority would reasonably expect notice.

2.1.5 Principle 5—appropriate priority for management and compliance

An approved individual who is a member of an authorised firm's senior management must give appropriate priority to his or her management responsibilities, and must ensure that the business for which he or she is responsible—

- (a) is effectively supervised and controlled; and
- (b) complies with the requirements of the *regulatory system*.

Guidance

- 1 The principles in chapter 2 are issued in accordance with FSR, article 15 (3), and have the status of *rules*. The principles are a general statement of the standards of conduct expected of approved individuals. They apply to an approved individual in the conduct of business and the exercise of the controlled function for which he or she is approved. The Regulatory Authority may take disciplinary action against an approved individual on the basis of a breach of the principles.
- 2 The principles are not the whole of the standards of conduct expected of an approved individual—he or she must still comply with the other requirements of the law of the QFC. Compliance with the principles does not absolve an approved individual from failure to observe those other requirements, and the observance of those other requirements is not necessarily compliance with the principles.
- 3 If an approved individual fails to comply adequately with the principles, the Regulatory Authority is likely to take an adverse view of his or her fitness and propriety.

Chapter 4 Principles for training and competency

Note for chapters 4, 4A and 5

Individuals performing controlled functions need to have the appropriate competency elements of skills, knowledge and experience. Individuals having these competency elements strengthen the protection given to clients, customers and stakeholders. Authorised firms need to prudently manage the risks that may arise as a result of individuals performing controlled functions.

4.1.1 Principle 1—senior management responsibility

The senior management of an authorised firm must ensure that the firm's policies, procedures, systems and controls appropriately and adequately address the training and competency requirements in this chapter, chapter 4A and chapter 5.

4.1.2 Principle 2—training and competency programme

An authorised firm must design, deliver and maintain an appropriate ongoing training and competency programme for individuals performing controlled functions for the firm.

4.1.3 Principle 3—assessment of competencies

An authorised firm must undertake initial and ongoing assessment of each individual's competencies to perform controlled functions.

4.1.4 Principle 4—training

An authorised firm must ensure that individuals performing controlled functions receive or undertake sufficient training and continuing professional development.

4.1.5 Principle 5—record keeping

An authorised firm must be able to provide documentary evidence of its compliance with the requirements relating to training and competency of individuals performing controlled functions.

Chapter 4A Training and competency programme

Part 4A.1 General provisions

4A.1.1 Appropriate programme to be delivered etc

- (1) An authorised firm must design, deliver and maintain an appropriate ongoing training and competency programme for individuals performing controlled functions for the firm.
- (2) The programme—
 - (a) must be relevant, timely and appropriately structured; and
 - (b) must ensure that approved individuals are aware, and have an appropriate understanding, of—
 - (i) their roles, responsibilities and obligations; and
 - (ii) the firm's processes in so far as they apply to each approved individual's role; and
 - (iii) any reports that they are required to make; and
 - (iv) the sources of information for making the reports; and
 - (c) must include policies, procedures, systems and controls on how the firm is to decide whether individuals are competent to perform controlled functions.
- (3) In designing its training and competency programme for approved individuals, the firm must consider the following:
 - (a) their differing needs, experience, skills and abilities;
 - (b) their differing roles and levels in the firm;
 - (c) the degree of supervision over, or independence exercised by, them;
 - (d) the availability of information needed for them to perform their roles;
 - (e) the nature, scale and complexity of the firm's business, including—
 - (i) the products and services offered or provided, and proposed to be offered or provided, by it; and
 - (ii) changes to those products and services and to the market;
 - (f) the *clients* of the firm;
 - (g) the outcome of reviews of their training and competency;
 - (h) any analysis showing areas where training needs to be enhanced;
 - (i) the *regulatory system*, including any recent, or reasonably expected, changes to it.

Examples for subrule (3)—designing programmes that consider the individual’s needs, roles etc

- 1 training programmes for new approved individuals need to be different to programmes for those who have been approved individuals for some time and are already aware of the firm’s policies, processes, systems and controls
 - 2 training programmes for approved individuals performing the customer facing function need to be different to programmes for other approved individuals
 - 3 training programmes for approved individuals performing the customer facing function in relation to *securities* need to be different to programmes for approved individuals performing the customer facing function in relation to *derivatives* or *contracts of insurance*
 - 4 training programmes for approved individuals performing the non-executive governance function should reflect the specific role that each individual performs within the firm (Training obligations for such approved individuals are likely to be less intense than would otherwise be expected for individuals with roles in the day-to-day activities of the firm and might come in the form of the individual’s participation and assessment in executive coaching, board retreats and planning days, board peer review as well as through membership of other *governing bodies*).
- (4) Subrule (3) does not limit the matters that the firm may consider.

4A.1.2 Training must be maintained and reviewed

- (1) An authorised firm’s training and competency programme must include ongoing training to ensure that approved individuals—
 - (a) maintain their competencies; and
 - (b) are kept up to date with developments relating to their controlled functions; and
 - (c) are trained on any changes to the firm’s policies, procedures, systems and controls.
- (2) A firm must, at regular and appropriate intervals, review and evaluate—
 - (a) its training and competency programme and training and competency document for quality and effectiveness; and
 - (b) the training needs of approved individuals to ensure that their needs are met.

4A.1.3 Training and competency document

- (1) An authorised firm must prepare a document (*training and competency document*) describing its training and competency programme.
- (2) A firm’s training and competency document must include—
 - (a) the requirements, characteristics and role of each of the following controlled functions:
 - (i) a controlled function for which a rule requires the firm to have an individual approved;
 - (ii) any other controlled function for which the firm has an individual performing the function; and

Note for r (2) (a) (i)

Each of the following rules requires a firm to have an individual approved for a controlled function:

- CTRL, r 3.2.1 (Senior executive function); r 3.2.2 (Finance function); r 3.2.3 (Risk management function); r 3.2.4 (Compliance oversight function)
- AML/CFTR, r 2.3.1 (Appointment—MLRO and deputy MLRO)—*deputy MLRO* is not a controlled function

- AMLG, r 2.3.1 (Appointment—MLRO and deputy MLRO)—*deputy MLRO* is not a controlled function.
 - (b) how the firm is to satisfy itself that each individual performing a controlled function has, and continues to have, the competencies required to perform the function; and
 - (c) the continuing professional development to be provided for approved individuals and the review and evaluation of their training needs; and
Note See rule 5.1.3 (Continuing professional development for approved individuals).
 - (d) how the firm is to ensure that it complies, and can demonstrate its compliance, with its training and competency programme; and
 - (e) the review and evaluation of its training and competency programme and training and competency document, including who is to conduct the review and evaluation and when they are to be conducted; and
 - (f) the revision of its training and competency programme and training and competency document, including who is to approve any revision.
- (3) To remove any doubt, *revision* includes amendment and replacement.

4A.1.4 Firm must comply with its training and competency programme

- (1) An authorised firm must comply with the requirements and procedures in its training and competency programme and training and competency document as revised from time to time.
- (2) The individual approved to perform the compliance oversight function for an authorised firm must—
 - (a) monitor on an ongoing basis the firm's compliance with its training and competency programme and training and competency document; and
 - (b) report to the firm's governing body at least once a year about the firm's compliance with its training and competency programme and training and competency document.

Part 4A.2 **Assessment of individuals for controlled functions**

Note for part 4A.2

Principle 3 (see rule 4.1.3) requires an authorised firm to undertake initial and ongoing assessment of each individual's competencies to perform controlled functions.

4A.2.1 Initial competency and fitness assessments by firms

Before making an application to the Regulatory Authority for an individual to be approved to perform 1 or more controlled functions, an authorised firm must be satisfied, on reasonable grounds after making appropriate inquiries, that the individual—

- (a) has the competencies required to perform each function; and
- (b) is a fit and proper person to perform each function; and
- (c) satisfies any additional requirements under these or any other *Rules* for each function.

Note 1 Under FSR, article 41 (1) (Approval of persons performing controlled functions), an authorised firm must ensure that no individual performs a controlled function for it unless the individual is approved by the Regulatory Authority as an approved individual.

Note 2 Rule 4A.2.1 is subject to r 4A.4.1 (Application—individuals likely to acquire competencies for customer facing function within 12 months).

4A.2.2 How competency assessment made by firms

- (1) In deciding whether it is satisfied that an individual has the competencies required to perform a controlled function, an authorised firm must have regard to—
 - (a) the controlled function; and
 - (b) the nature, scale and complexity of the firm's business, including—
 - (i) the products and services offered or provided, and proposed to be offered or provided, by it; and
 - (ii) changes to those products and services and to the market; and
 - (c) the *clients* of the firm; and
 - (d) the *regulatory system*, including any recent, or reasonably expected, changes to it; and
 - (e) the qualifications that may be required for the function.

Note For competencies for controlled functions, see rule 4A.2.3 and the guidance following that rule.

- (1A) The assessment of an individual's competence for appointment to the internal audit function must be made by the firm's governing body.

Note **Governing body** is defined in the glossary.

- (1B) The assessment of an individual's competence for appointment to—
- (a) the risk management function; or
 - (b) the compliance oversight function; or
 - (c) the actuarial function;
- must be made—
- (d) by the firm's governing body; or
 - (e) after consultation with the firm's governing body.
- (2) In deciding whether a qualification that is not specified in schedule 1 or schedule 2 nevertheless meets the knowledge element for the role to be performed by an individual, an authorised firm must have regard to qualifications recognised as appropriate for the role by another regulator (for example, the Financial Services Authority (UK), the Australian Securities and Investments Commission, the New Zealand Securities Commission, the Financial Industry Regulatory Authority (US), the Securities and Futures Commission (Hong Kong) or the Monetary Authority of Singapore).
- Note* In the United Kingdom, many of the recognised qualifications for various functions related to financial services are to be found in the Training and Competence Sourcebook published by the Financial Services Authority.
- (3) This rule does not limit the matters to which the authorised firm may have regard in making its decision.

4A.2.3 Competencies

- (1) The *competencies for a controlled function* are the combination of the elements of skills, knowledge and experience that make an individual competent to perform the function.
- (2) Schedule 1 sets out a non-exhaustive list of the competencies that individuals are expected to have for effective performance of controlled functions (other than the customer facing function).
- (3) Schedule 2 sets out a non-exhaustive list of the competencies that individuals are expected to have for effective performance of the customer facing function.
- (4) The extent of the application of the competencies in schedule 1 and schedule 2 in relation to a particular individual and a particular firm depends on the nature and complexity of the individual's role in the firm and the regulated activity or activities to be conducted by the individual.
- (5) As a general rule, individuals who will be performing the following controlled functions must have the regulatory or technical qualifications set out as knowledge competencies in schedule 1 and schedule 2 before they can be approved:
 - (a) compliance oversight function;
 - (b) risk management function;
 - (c) finance function;

- (d) MLRO function;
- (e) actuarial function;
- (f) customer facing function with retail customers.

Examples for subrule (4)

- 1 An individual seeking to be approved to perform the compliance oversight function for a firm engaged in limited regulated activities need not necessarily have all the skills set out in rules S4.1 to S4.13 of Schedule 1. In contrast, an approved individual performing the compliance oversight function for a firm engaged in complex regulated activities is expected to have all or most of those skills.
- 2 An individual seeking approval to perform solely the role of insurance adviser performing the customer facing function in relation to motor vehicle policies need only be assessed for skills, knowledge and experience required for that limited role in the firm.

Guidance for rule 4A.2.3

- 1 The 3 competency elements against which an individual is to be assessed as competent or not are the individual's—
 - (a) skills (what the individual ought to be able to do); and
 - (b) knowledge (what the individual ought to know or to have by way of qualifications); and
 - (c) experience (what the individual has previously done, if anything).
- 2 The 3 competency elements are to be used in making assessments under rule 4A.2.2 (How competency assessment made by firms), rule 4A.3.3 (How competency decided by Regulatory Authority), rule 4A.3.5 (Eligibility to continue to be approved) and rule 4A.4.2 (Conditional approval—individuals likely to acquire competencies for customer facing function within 12 months).
- 3 An authorised firm and the Regulatory Authority must decide (taking into account the circumstances of each case, the matters in rule 4A.2.2 and rule 4A.3.3 and the role of the individual) whether it is satisfied that the individual has the competencies required to perform the controlled function for the firm.
- 4 Under subrule 4A.2.3 (5), there are certain knowledge competencies that an individual must have before the individual can be approved by the Regulatory Authority (for example, regulatory or technical qualifications required for individuals who will be dealing with retail customers).
- 5 The following are indicative examples of appropriate levels of experience that may be used by a firm undertaking a competency assessment under rule 4A.2.2:
 - for a junior role in the firm—up to 2 years experience performing the function or a similar role
 - for a mid level role in the firm—more than 2 years and up to 10 years experience
 - for a senior role in the firm —more than 10 years experience.

4A.2.4 How fitness assessment made by firms

- (1) In deciding whether it is satisfied that an individual is a fit and proper person to perform a controlled function, an authorised firm must have regard to—
 - (a) the individual's honesty, integrity and reputation; and
 - (b) the individual's financial soundness.
- (2) For paragraph (1) (a), the authorised firm must take into account the following matters about the individual's honesty, integrity and reputation:
 - (a) any past, ongoing or pending legal proceedings, whether civil or criminal, relating to or involving the individual;
 - (b) any investigation undertaken, disciplinary action taken, or sanctions imposed, in relation to or on the individual by a court, tribunal, regulatory or governmental

- agency, body or authority, exchange, clearing house, self-regulatory body or other professional body;
- (c) any complaint against the individual relating to, or any contravention by or involving the individual of, any financial services legislation (including any regulations, rules, statements of principle or codes of practice made by an exchange, clearing house, self-regulatory body or other professional body);
 - (d) any complaint made about the individual's standard of conduct in relation to activities subject to regulation inside or outside the QFC;
 - (e) the individual's involvement with any business that—
 - (i) was wound up or put into liquidation, placed in receivership or administration, ceased trading, negotiated a settlement with creditors, or became insolvent—
 - (A) while the individual was involved with the business; or
 - (B) within 1 year after that involvement ended; or
 - (ii) had any approval, authority, licence, registration or other permission to conduct business removed, restricted or suspended; or
 - (iii) has been refused any approval, authority, licence, registration or other permission to conduct business; or
 - (iv) has been expelled by any regulatory or governmental agency, body or authority; or
 - (v) has been investigated, criticised, disciplined, censured or suspended by any regulator, professional body or tribunal, whether publicly or privately;
 - (f) whether the individual has been dismissed, or asked to resign and has resigned, from a position of trust or fiduciary appointment;
 - (g) the effect that the individual's reputation may have on the authorised firm and the QFC;
 - (h) whether the individual has been candid and truthful in dealing with the authority.
- (3) For paragraph (1) (b), the authorised firm must take into account the following matters about the individual's financial soundness:
- (a) whether the individual is able to pay debts as they fall due;
 - (b) any arrangement made by the individual with creditors;
 - (c) whether the individual has filed for bankruptcy, been served with any bankruptcy petition or been subject to any bankruptcy order;
 - (d) whether the individual has had assets seized, confiscated or frozen.
- (4) This rule does not limit the matters the authorised firm may take into account in having regard to the individual's honesty, integrity, reputation and financial soundness.

Part 4A.3 Approval of individuals for controlled functions

4A.3.1 Application—individuals with required competencies

If an authorised firm is satisfied under rule 4A.2.1 (Initial competency and fitness assessments by firms) that the individual has the competencies required to perform 1 or more controlled functions, the firm may apply to the Regulatory Authority for approval of the individual to perform the function or functions for the firm.

4A.3.2 Eligibility for approval of individuals—general

An individual is eligible to be approved by the Regulatory Authority to perform 1 or more controlled functions for an authorised firm only if the firm demonstrates to the authority's satisfaction that the individual—

- (a) has the competencies required to perform each function; and
- (b) is a fit and proper person to perform each function; and
- (c) satisfies any additional requirements under these or any other *Rules* for each function.

Note For conditional approval of individuals (to perform a customer facing function) who are not eligible under this rule, see pt 4A.4.

4A.3.3 How competency decided by Regulatory Authority

In deciding whether it is satisfied that an individual has the competencies required to perform a controlled function for an authorised firm, the Regulatory Authority may have regard to matters that the authority considers relevant, including the matters in subrule 4A.2.2 (1).

Note For competencies for controlled functions, see rule 4A.2.3 and the guidance following that rule.

4A.3.4 How decision on fitness and propriety made

- (1) In deciding whether it is satisfied that an individual is a fit and proper person to be approved to perform a controlled function for an authorised firm, the Regulatory Authority may have regard to the following:
 - (a) the individual's honesty, integrity and reputation;
 - (b) the individual's financial soundness;
 - (c) any other matter that the authority considers relevant.
- (2) For paragraph (1) (a), the Regulatory Authority may take into account matters about the individual's honesty, integrity and reputation that the authority considers relevant, including the matters in subrule 4A.2.4 (2).
- (3) For paragraph (1) (b), the Regulatory Authority may take into account matters about the individual's financial soundness that the authority considers relevant, including the matters in subrule 4A.2.4 (3).

4A.3.5 Eligibility to continue to be approved

An approved individual is eligible to continue to be approved by the Regulatory Authority to perform 1 or more controlled functions for an authorised firm only if the firm can demonstrate on an ongoing basis to the authority's satisfaction that—

- (a) the individual has the competencies required to perform each function; and
- (b) the individual is a fit and proper person to perform each function; and
- (c) the individual satisfies any additional requirements under these or any other *Rules* for each function.

Note For competencies for controlled functions, see rule 4A.2.3 and the guidance following that rule.

Part 4A.4 Conditional approval of individuals for customer facing function

4A.4.1 Application—individuals likely to acquire competencies for customer facing function within 12 months

Despite rule 4A.2.1 (Initial competency and fitness assessments by firms), an authorised firm may apply to the Regulatory Authority for approval of an individual to perform the customer facing function even if the individual does not have the competencies required for that function, if—

- (a) the firm is satisfied that, if approved, the individual would acquire the competencies within 12 months after the conditional approval; and
- (b) the firm can ensure that, until the individual has acquired the competencies, the individual will be appropriately supervised while performing the function.

4A.4.2 Conditional approval—individuals likely to acquire competencies for customer facing function within 12 months

- (1) An individual for whom an authorised firm has made an application under rule 4A.4.1 is eligible to be approved by the Regulatory Authority to perform the customer facing function for the firm only if—
 - (a) the firm has stated in the application that it is satisfied that—
 - (i) if approved, the individual would acquire the competencies required to perform the function within 12 months after the conditional approval (the ***12 month period***); and
 - (ii) until the individual has acquired the competencies, it can ensure that the individual will be appropriately supervised while performing the function; and
 - (b) the firm demonstrates to the authority's satisfaction that the individual—
 - (i) is a fit and proper person to perform the customer facing function; and
 - (ii) satisfies any additional requirements under these or any other *Rules* for the function.
- (2) If the Regulatory Authority decides to approve the individual to perform the customer facing function for the authorised firm, the approval (the ***conditional approval***) is subject to the condition that the individual will cease to be approved to perform the customer facing function if—
 - (a) the individual ceases to be a fit and proper person; or
 - (b) the firm is unable to appropriately supervise the individual; or
 - (c) the individual ceases to satisfy any additional requirements prescribed under these or any other *Rules* for the function; or
 - (d) the 12 month period has ended, unless the firm notifies the Regulatory Authority under subrule (3) that it has made a decision about the individual.

- (3) If an individual is given a conditional approval and the authorised firm decides before the end of the 12 month period that it is satisfied that the individual has acquired the competencies required to perform the customer facing function, the firm must immediately notify the Regulatory Authority about its decision.

Note See rule 4A.2.2 (How competency assessment made by firms).

- (4) A notification under subrule (3)—

- (a) must state the reasons for the decision and the matters to which the authorised firm had regard, and took into account, in making the decision; and
- (b) must be accompanied by documentary evidence (if any) in support of the decision.

Note Under the *General Rules 2005*, rule 5.1.1, communications to the Regulatory Authority must generally be in writing, unless the authority requires or permits the communication to be made to it in another way (for example, using approved forms (see rule 5.3.1) or the electronic submission system established by the authority (see rule 5.4.1)).

- (5) If the Regulatory Authority receives notification under subrule (3), the authority must, within 20 *business days* after it received the notification, give written notice to the firm—

- (a) that—
 - (i) the authority agrees with the decision of the firm; and
 - (ii) the conditions attached to the individual’s conditional approval cease to have effect; and
 - (iii) the individual continues to be an approved individual; or
- (b) that the authority is not satisfied that the individual has the competencies required to perform the function and the conditional approval of the individual continues to have effect in accordance with its terms for the remainder of the 12 month period for which it was granted; or
- (c) that the firm give any additional statement, explanation, document or further information that the authority considers necessary or desirable to enable it give the notice under paragraph (a) or (b).

Note For competencies for the customer facing function, see schedule 2. See also rule 4A.2.3 and guidance after that rule.

- (6) A notice under subrule (5) (b) must include the reasons why the Regulatory Authority is not satisfied that the individual has the competencies required to perform the function.

- (7) Nothing in this rule prevents a firm from—

- (a) giving, during the 12 month period, more than 1 notification under subrule (3) in relation to an individual; or
- (b) making another application on behalf of an individual who has been given a conditional approval if the individual fails to acquire the competencies required to perform the customer facing function within the 12 month period.

Note Under FSR, article 46 (1) (d), the Regulatory Authority may also exercise other powers or steps if an approved individual, or the authorised firm in respect of which the approved individual is approved, breaches a condition, restriction or requirement applicable to the approval.

4A.4.3 What constitutes *appropriate supervision*?

- (1) Subject to subrule (2), an individual performing a controlled function is *appropriately supervised* if—
 - (a) the individual is supervised by another individual (the *supervisor*)—
 - (i) who is approved under Part 4A.3 to perform the controlled function for the firm; or
 - (ii) who is approved under Part 4A.3 to perform the compliance oversight function for the firm; and
 - (b) the firm is satisfied that the supervisor has the ability to supervise, train, coach and mentor the individual; and
 - (c) the supervisor considers the individual's needs, experience, skills, abilities, role and level in the firm when determining the degree of supervision required by the individual.
- (2) An individual approved to perform the customer facing function who is conducting the relevant regulated activity with a customer is *appropriately supervised* only if—
 - (a) the individual is supervised by another individual (the *supervisor*)—
 - (i) who is approved under Part 4A.3 to perform the customer facing function for the firm; and
 - (ii) who has the same, or broader, scope of approval; and
 - (b) the firm is satisfied that the supervisor has the ability to supervise, train, coach and mentor the individual; and
 - (c) the supervisor considers the individual's needs, experience, skills, abilities, role and level in the firm when determining the degree of supervision required by the individual.

Examples of variations in degree of supervision of individuals conditionally approved under rule 4A.4.2

- 1 An individual who has just obtained regulatory or technical qualifications but does not have experience appropriate for advising on investments will require intensive supervision when performing customer facing functions.
- 2 An individual who is working towards obtaining regulatory or technical qualifications and has experience appropriate for advising on investments will need a lower degree of supervision compared to the individual described in example 1.

Chapter 5 Training and other ongoing obligations relating to controlled functions

Notes for chapter 5

- 1 Principle 4 (see rule 4.1.4) requires an authorised firm to ensure that individuals performing controlled functions receive or undertake sufficient training and continuing professional development.
- 2 Principle 5 (see rule 4.1.5) requires an authorised firm to be able to provide documentary evidence of its compliance with the requirements relating to training and competency of individuals performing controlled functions.

5.1.1 Obligation to review competencies

- (1) An authorised firm must, from time to time in accordance with its training and competency document, ensure that each approved individual for the firm—
 - (a) continues to have the competencies required to perform the controlled function or functions that the individual is approved to perform; and
 - (b) continues to be a fit and proper person to perform each function.
- (2) The following rules apply to an authorised firm in deciding whether an individual continues to have the competencies, and continues to be a fit and proper person, to perform each function:
 - rule 4A.2.2 (How competency assessment made by firms)
 - rule 4A.2.4 (How fitness assessment made by firms).

5.1.2 Obligation to review training and development needs

- (1) An authorised firm must, from time to time in accordance with its training and competency document, assess each approved individual's training and development needs.
- (2) The interval between assessments of the individual's training and development needs must not be longer than 12 months.

5.1.3 Continuing professional development for approved individuals

An authorised firm must ensure that each approved individual for the firm receives sufficient continuing professional development appropriate to the nature and complexity of the individual's role to ensure that the individual continues to have the competencies required to perform the controlled function or functions for which the individual is approved.

Examples of continuing professional development

- 1 in-house training
- 2 industry literature review
- 3 academic studies
- 4 obtaining professional qualifications
- 5 technical training for roles that are highly technical or that involve constant changes in legislation or regulatory practice

Note The authorised firm's training and competency document must state its policies and procedures about continuing professional development (see rule 4A.1.3 (2) (c)).

5.1.4 Record keeping—controlled functions

- (1) An authorised firm must make the records necessary—
 - (a) to enable the firm to comply with chapter 4, chapter 4A and this chapter; and
 - (b) to demonstrate, at all times, that it has complied with chapter 4, chapter 4A and this chapter.
- (2) Without limiting subrule (1), the authorised firm must make a record of how it made each decision about an individual, including, for example—
 - (a) the inquiries that it made before making the decision, the dates it made the inquiries and the results of those inquiries; and
 - (b) the matters to which it had regard and took into account in making the decision; and
 - (c) the provisions of *Rules* and guidance that it considered or complied with in making the decision, and, if appropriate, how it complied with the *Rules*; and
 - (d) the decision, the date it was made and the reasons for the decision.
- (3) Records made by the authorised firm must be kept by the firm for at least 6 years after the day they are made.
- (4) However, records made for subrule (2) about an individual who is (or has been) an approved individual must be kept by the authorised firm for at least 6 years after the day the individual ceases (or ceased) to be an approved individual.

Chapter 6 Cessation of exercise of controlled functions

6.1.1 Regulatory Authority withdrawal of approval

- (1) This rule is made for FSR, article 41 (3) (D).
- (2) The Regulatory Authority may withdraw the approval of an individual to perform a controlled function in any of the following circumstances:
 - (a) the authority has determined that the individual is no longer a fit and proper person in relation to the function;
 - (b) the authority considers that the individual no longer satisfies the relevant criteria in schedule 1 or schedule 2;
 - (c) the authority considers that the individual's performance of the function has fallen below the required standard;
 - (d) if the individual has been approved to perform more than 1 controlled function for the authorised firm concerned, the authority considers that—
 - (i) the continued performance by the individual of both or all the functions—
 - (A) is no longer appropriate having regard to the nature, scale and complexity of the firm's business; or
 - (B) has given rise, or is likely to give rise, to an internal or external conflict of interest; or
 - (C) has compromised, or is likely to compromise, the independence, objectivity and effectiveness of the exercise of any of the functions; or
 - (ii) the individual has failed to perform any 1 or more of the functions to the required standard; or
 - (iii) the combined performance of the functions by the individual has impaired, or is likely to impair, the firm's compliance with the requirements applicable to the conduct of its business in or from the QFC; or
 - (iv) the firm's governing body—
 - (A) has failed to carry out the review required by CTRL, rule 3.2.8 (2); or
 - (B) has failed to submit the report of such a review to the authority; or
 - (C) has submitted a report that does not satisfy the Authority that it is appropriate for the arrangement to continue.
- (3) In subrule (2)—

required standard means the standard at which a reasonable person having the necessary qualifications, skills and expertise would be expected to perform the function concerned.

Guidance

The Regulatory Authority has the power, under *FSR*, article 46, to withdraw an approved individual's approval or impose conditions or restrictions on such an approval. *FSR*, article 46 (1), sets out other circumstances in which such an approval may be withdrawn or conditions or restrictions imposed. The authority has wide general powers of directing an authorised firm to take action to rectify any shortcoming—see for example *FSR*, article 31 (2).

6.1.2 What firm must do if individual ceases to exercise controlled function

- (1) If an authorised firm becomes aware that, for any reason (other than the withdrawal of the individual's approval by the authority), an approved individual is to cease to exercise, or has ceased to exercise, for the firm a controlled function that he or she is approved to exercise for the firm, the firm must request the Regulatory Authority to withdraw the individual's approval to exercise the function .
- (2) The firm must make the request—
 - (a) at least 10 *business days* before the day on which the individual is to cease to exercise the function for the firm; or
 - (b) if the request cannot be made when paragraph (a) requires it to be made—immediately after the time when the firm becomes aware that the individual is to cease to exercise, or has ceased to exercise, the function, but within 2 *business days* after that time.

Example—meaning of 'within 2 business days'

- 1 If, on a *business day*, the authorised firm becomes aware that the individual will cease to exercise the controlled function, the firm must make the application immediately, but by no later than the next *business day*.
- 2 If, on a day that is not a business day, the authorised firm becomes aware that the individual has ceased to exercise the controlled function, the firm must make the application immediately, but by no later than 2 *business days* after that day.

Chapter 8 Transitional provisions

8.1.1 Approved individuals to remain approved

A person approved to perform a controlled function before 1 January 2012 whose approval is in effect continues to be an approved individual to perform that controlled function on and after that date.

Note An approved individual before 1 January 2012 continues to be an approved individual and need not re-apply and be re-assessed as competent under the new training and competency rules. However, the individual will be subject to new requirements such as on-going assessment (see rule 4A.3.5) and continuing professional development (see rule 5.1.3).

8.1.2 Applications pending on 31 December 2011

- (1) An application for approval to perform a controlled function that was filed before, but not yet decided by, 1 January 2012 is to be decided in accordance with the pre-1 January rules.
- (2) In this rule:

pre-1 January rules means the provisions on training and competency in chapter 4 (Fitness and Propriety), chapter 5 (Competency, Training and Supervision) and Appendix 1 (Guidance on Fitness and Propriety of Approved Individuals) immediately before 1 January 2012.

Schedule 1 Competencies for controlled functions other than customer facing function

(r 4A.2.3 (2))

Notes for sch 1

- 1 The requirements in sch 1 for a controlled function are in addition to any requirements under any other *Rules* for the function (see, for example, CTRL, r 3.2.1 (2), for the senior executive function; CTRL, r 3.2.3 (4), for the risk management function; CTRL, r 3.2.4 (2), for the compliance oversight function; CTRL, r 3.2.6 (4), for the actuarial function; AML/CFTR, r 2.3.2, and AMLG, r 2.3.2, for the MLRO function).
- 2 The competencies in sch 1 (other than those in pt S10) are based on the National Occupational Standards (the *FSP Standards*) prepared by the Financial Skills Partnership (UK) (*FSP*). The FSP Standards are used in these rules with, and subject to, the permission of FSP. Copyright of the FSP Standards is vested in FSP and their use or reproduction by any person for any purpose without the written consent of FSP is prohibited. The competencies in pt S10 are partly based on material from the International Association of Insurance Supervisors, the Bank for International Settlements and the Institute of Internal Auditors.

Part S1 Senior executive function competencies

Note for part S1

The competencies that individuals are expected to have under this part are not exhaustive, and the extent of their application depends on the nature and complexity of the individual's role in the day-to-day activities of the firm (see rule 4A.2.3).

Division S1.1 Skills

- S1.1 Assume, alone or with others, overall responsibility for the whole of the business of the firm
- S1.2 Exercise critical judgement
- S1.3 Plan, lead and implement change
- S1.4 Develop the senior management team
- S1.5 Manage risk
- S1.6 Demonstrate and encourage strategic thinking
- S1.7 Exhibit organisational leadership
- S1.8 Undertake in an effective manner the fiduciary responsibilities of a member of the governing body of the firm

Division S1.2 Knowledge

- S1.21 Level of knowledge appropriate for the role (which may be demonstrated by having appropriate qualifications)

S1.22 Good knowledge of the principles of sound and effective corporate governance

Division S1.3 Experience and other elements

S1.31 Appropriate level of experience and seniority for the role

Part S2 **Executive governance function competencies**

Note for part S2

The competencies that individuals are expected to have under this part are not exhaustive, and the extent of their application depends on the nature and complexity of the individual's role in the day-to-day activities of the firm (see rule 4A.2.3).

Division S2.1 **Skills**

- S2.1 Act as a member of the governing body of the firm with executive responsibility for at least some of the day-to-day direction of its affairs
- S2.2 Exercise critical judgement
- S2.3 Plan, lead and implement change
- S2.4 Develop staff
- S2.5 Manage risk
- S2.6 Demonstrate and encourage strategic thinking
- S2.7 Exhibit organisational leadership
- S2.8 Promote compliance culture of the firm
- S2.9 Undertake in an effective manner the fiduciary responsibilities of a member of the governing body of the firm

Division S2.2 **Knowledge**

- S2.21 Level of knowledge appropriate for the role (which may be demonstrated by having appropriate qualifications)
- S2.22 Good knowledge of the principles of sound and effective corporate governance

Division S2.3 **Experience and other elements**

- S2.31 Appropriate level of experience and seniority for the role

Part S3 Non-executive governance function competencies

Notes for part S3

1. The competencies that individuals are expected to have under this part are not exhaustive, and the extent of their application depends on the nature and complexity of the individual's role in the firm (see rule 4A.2.3).
2. Moreover, the competencies that an individual who is to perform the non-executive governance function is expected to have under this part should reflect the specific role that the individual will perform within the firm. As such, competency assessments for the individual are likely to be less frequent than would otherwise be expected for individuals with roles in the day-to-day activities of the firm. For example, a competency assessment may be met through the individual's participation and assessment in executive coaching, board retreats and planning days, board peer review as well as through membership of other boards and *governing bodies*.

Division S3.1 Skills

- S3.1 Act as a member of the governing body of the firm, but without responsibility for the day-to-day direction of its affairs
- S3.2 Perform the role in a way that demonstrates independence within the governing body of the firm
- S3.3 Undertake in an effective manner the fiduciary responsibilities of a member of the governing body of the firm

Division S3.2 Knowledge

- S3.21 Level of knowledge appropriate for the role (which may be demonstrated by having appropriate qualifications)
- S3.22 Good knowledge of the principles of sound and effective corporate governance

Division S3.3 Experience and other elements

- S3.31 Appropriate level of experience and seniority for the role

Part S4 Compliance oversight function competencies

Note for part S4

The competencies that individuals are expected to have under this part are not exhaustive, and the extent of their application depends on the nature and complexity of the individual's role in the day-to-day activities of the firm (see rule 4A.2.3).

Division S4.1 Skills

- S4.1 Research the firm's organisation and its requirements to help inform a compliance policy
- S4.2 Develop, communicate and implement a compliance policy for the firm
- S4.3 Develop and monitor compliance controls in the firm
- S4.4 Keep up to date with regulatory developments
- S4.5 Support the staff in the firm to maintain compliance and assist the governing body in developing the compliance culture of the firm
- S4.6 Write and present compliance reports
- S4.7 Consider and advise on the regulatory implications of new business strategies
- S4.8 Plan and deliver compliance training
- S4.9 Maintain an effective relationship with relevant external bodies and respond to requests on consultations
- S4.10 Deal with complaints regarding non-compliance
- S4.11 Identify, investigate and resolve non-compliant activity within the firm
- S4.12 Inform regulatory bodies of breaches in rules and regulations
- S4.13 Develop and monitor the firm's compliance with its training and competency programme and training and competency document.

Division S4.2 Knowledge

- S4.21 Unless the firm demonstrates to the satisfaction of the Regulatory Authority that the individual does not need the CISI Regulatory qualification (or its equivalent) to perform the role, the individual must have—
 - (a) the CISI Regulatory qualification; or
 - (b) any other qualification that the Regulatory Authority is satisfied (on the basis of evidence produced by the firm if the Regulatory Authority so requires) is at least equivalent to the CISI Regulatory qualification.

S4.22 Unless in a particular case the Regulatory Authority requires a qualification that is higher than certificate level, the individual must have—

- (a) a recognised compliance oversight function professional qualification that is at certificate level; or
- (b) any other qualification that the Regulatory Authority is satisfied (on the basis of evidence produced by the firm if the Regulatory Authority so requires) is appropriate for the role.

Note In satisfying itself for the purposes of this rule, the Regulatory Authority may have regard to qualifications recognised as appropriate for the role by another regulator (for example, the Financial Services Authority (UK), the Australian Securities and Investments Commission, the New Zealand Securities Commission, the Financial Industry Regulatory Authority (US), the Securities and Futures Commission (Hong Kong) or the Monetary Authority of Singapore). Such qualifications may include legal, accounting, audit, risk and other specialised professional qualifications.

Division S4.3 Experience and other elements

S4.31 Appropriate level of experience and seniority for the role

Part S5 Risk management function competencies

Note for part S5

The competencies that individuals are expected to have under this part are not exhaustive, and the extent of their application depends on the nature and complexity of the individual's role in the day-to-day activities of the firm (see rule 4A.2.3).

Division S5.1 Skills

- S5.1 Research the firm's organisation and its requirements to help inform risk strategy and policy
- S5.2 Establish risk strategy and policy for the firm
- S5.3 Identify, assess and report risk management information to senior management
- S5.4 Identify available resources to manage risk for the firm
- S5.5 Facilitate risk action planning for the firm
- S5.6 Facilitate business continuity planning and disaster recovery for the firm
- S5.7 Develop and maintain external third party relationships relevant to risk management in the firm
- S5.8 Develop and maintain effective risk management communication within the firm
- S5.9 Monitor and evaluate the effectiveness of risk management controls

Division S5.2 Knowledge

- S5.21 The individual must have—
 - (a) a recognised risk management function professional qualification; or
 - (b) any other qualification that the Regulatory Authority is satisfied (on the basis of evidence produced by the firm if the Regulatory Authority so requires) is appropriate for the role.

Note In satisfying itself for the purposes of this rule, the Regulatory Authority may have regard to qualifications recognised as appropriate for the role by another regulator (for example, the Financial Services Authority (UK), the Australian Securities and Investments Commission, the New Zealand Securities Commission, the Financial Industry Regulatory Authority (US), the Securities and Futures Commission (Hong Kong) or the Monetary Authority of Singapore). Such qualifications may include legal, accounting, audit, risk and other specialised professional qualifications.

Division S5.3 Experience and other elements

- S5.31 Appropriate level of experience and seniority for the role

Part S6 Finance function competencies

Note for part S6

The competencies that individuals are expected to have under this part are not exhaustive, and the extent of their application depends on the nature and complexity of the individual's role in the day-to-day activities of the firm (see rule 4A.2.3).

Division S6.1 Skills

- S6.1 Work effectively in or with accountancy and finance to ensure that the firm complies with the Regulatory Authority's prudential requirements
- S6.2 Display high standards of professional ethics in accountancy and finance
- S6.3 Ensure that the firm keeps accounting records, financial accounts and statements and auditors' reports to the standards, and for the periods, required
- S6.4 Ensure that the firm has its accounts and financial statements examined, reported, audited and filed in a timely manner and in accordance with applicable standards
- S6.5 Review accounting systems
- S6.6 Implement external audit procedures

Division S6.2 Knowledge

- S6.21 The individual must have—
 - (a) either—
 - (i) a recognised finance function professional qualification; or
 - (ii) any other qualification that the Regulatory Authority is satisfied (on the basis of evidence produced by the firm if the Regulatory Authority so requires) is appropriate for the role; and
 - (b) membership of an appropriate professional body, unless the Regulatory Authority is satisfied (on the basis of evidence produced by the firm, if the authority so requires) that membership of such a body is not required.

Note In satisfying itself for the purposes of this rule, the Regulatory Authority may have regard to qualifications recognised as appropriate for the role by another regulator (for example, the Financial Services Authority (UK), the Australian Securities and Investments Commission, the New Zealand Securities Commission, the Financial Industry Regulatory Authority (US), the Securities and Futures Commission (Hong Kong) or the Monetary Authority of Singapore). Such qualifications may include accounting, audit, risk and other specialised professional qualifications.

Division S6.3 Experience and other elements

- S6.31 Appropriate level of experience and seniority for the role

Part S7 MLRO function competencies

Note for part S7

The competencies that individuals are expected to have under this part are not exhaustive, and the extent of their application depends on the nature and complexity of the individual's role in the day-to-day activities of the firm (see rule 4A.2.3).

Division S7.1 Skills

- S7.1 Gather and disseminate information about AML/CFT requirements in the firm
- S7.2 Identify the implications of AML/CFT measures for the business conducted by the firm
- S7.3 Assess and mitigate the money laundering and terrorist financing risks relevant to the firm
- S7.4 Identify improvements to the implementation of AML/CFT measures in the firm
- S7.5 Design an AML/CFT programme for the firm
- S7.6 Communicate and implement the firm's AML/CFT policy
- S7.7 Assist in developing the compliance culture of the firm
- S7.8 Design and oversee procedural controls to monitor money laundering and terrorist financing risks in the firm
- S7.9 Report progress in securing AML/CFT outcomes for the firm
- S7.10 Assist senior management in ensuring their staff comply with AML/CFT measures
- S7.11 Develop and maintain AML/CFT records for the firm (including documentary evidence of compliance, records for customers and transactions, and reporting and training records)
- S7.12 Advise and guide staff on AML/CFT
- S7.13 Conduct a business risk assessment
- S7.14 Plan and deliver AML/CFT training for the firm
- S7.15 Respond to requests to contribute to consultations
- S7.16 Handle requests for financial information from relevant authorities
- S7.17 Design and monitor an internal reporting system for suspicious transactions and activities
- S7.18 Identify, investigate and resolve non-compliant activity within the firm
- S7.19 Report suspicious financial activity to relevant authorities

Division S7.2 Knowledge

S7.21 Unless the firm demonstrates to the satisfaction of the Regulatory Authority that the individual does not need the CISI Regulatory qualification (or its equivalent) to perform the role, the individual must have—

- (a) the CISI Regulatory qualification; or
- (b) any other qualification that the Regulatory Authority is satisfied (on the basis of evidence produced by the firm if the Regulatory Authority so requires) is at least equivalent to the CISI Regulatory qualification.

S7.22 Unless in a particular case the Regulatory Authority requires a qualification that is higher than certificate level, the individual must have—

- (a) a recognised MLRO function professional qualification that is at certificate level; or
- (b) any other qualification that the Regulatory Authority is satisfied (on the basis of evidence produced by the firm if the Regulatory Authority so requires) is appropriate for the role.

Note In satisfying itself for the purposes of this rule, the Regulatory Authority may have regard to qualifications recognised as appropriate for the role by another regulator (for example, the Financial Services Authority (UK), the Australian Securities and Investments Commission, the New Zealand Securities Commission, the Financial Industry Regulatory Authority (US), the Securities and Futures Commission (Hong Kong) or the Monetary Authority of Singapore). Such qualifications may include legal, accounting, audit, risk and other specialised professional qualifications.

Division S7.3 Experience and other elements

S7.31 Appropriate level of experience and seniority for the role

Part S8 Senior management function competencies

Note for part S8

The competencies that individuals are expected to have under this part are not exhaustive, and the extent of their application depends on the nature and complexity of the individual's role in the day-to-day activities of the firm (see rule 4A.2.3). Such qualifications may include legal, accounting, audit, risk and other specialised professional qualifications.

Division S8.1 Skills

S8.1 Manage and supervise, alone or with others, 1 or more elements of the firm's business relating to its regulated activities (other than as a function in parts S1 to S7)

Division S8.2 Knowledge

S8.21 Level of knowledge appropriate for the role (which may be demonstrated by having appropriate qualifications)

Division S8.3 Experience and other elements

S8.31 Appropriate level of experience and seniority for the role

Part S9 Actuarial function competencies

Note for part S9

The competencies that individuals are expected to have under this part are not exhaustive, and the extent of their application depends on the nature and complexity of the individual's role in the day-to-day activities of the firm (see rule 4A.2.3).

Division S9.1 Skills

S9.1 Assume responsibility for monitoring, advising, investigating and reporting on risks facing a firm that is an insurer that materially affect the firm's ability to meet policyholder liabilities and capital requirements

Division S9.2 Knowledge

S9.21 The individual must have a recognised actuarial function professional qualification and membership of an actuarial professional body

Division S9.3 Experience and other elements

S9.31 At least 5 years experience as an actuary to an insurer that is sufficiently recent to ensure familiarity with current issues in the provision of actuarial services

Part S10 Internal audit function competencies

Note for pt S10

The competencies that individuals are expected to have under this part are not exhaustive, and the extent of their application depends on the nature and complexity of the individual's role in the day-to-day activities of the firm (see r 4A.2.3).

Division S10.1 Skills

- S10.1 Maintain appropriate, sufficient and effective internal audit resources to carry out the firm's audit plan
- S10.2 Establish risk-based audit plans to determine the priorities for internal audit and then communicate and implement the plan
- S10.3 Provide independent assurance and evaluation and contribute to the improvement of governance (including internal controls and risk management) using a systematic and disciplined approach
- S10.4 Evaluate the adequacy and effectiveness of the firm's policies, procedures, documentation and controls against changing trends and market and economic conditions
- S10.5 Evaluate risk exposures relating to the firm's governance, operations and information systems regarding—
- (a) the reliability and integrity of financial and operational information; and
 - (b) the effectiveness and efficiency of operations; and
 - (c) the safeguarding of assets; and
 - (d) compliance with laws, regulations, policies, procedures and contracts
- S10.6 Report periodically to the firm's governing body on internal audit activities and the progress made in carrying out the firm's audit charter and risk-based audit plan
- S10.7 Establish a process to monitor the implementation of management action and ensure that implementation has been effective, or that the firm's senior management have accepted the risk of not taking action
- S10.8 Develop and maintain internal audit records to support audit conclusions
- S10.9 Display high standards of professional ethics.

Division S10.2 Knowledge

- S10.21 Either—
- (a) a recognised audit professional qualification; or

- (b) any other qualification that the Regulatory Authority is satisfied (on the basis of evidence produced by the firm, if the authority so requires) is appropriate for the role

S10.22 Membership of an appropriate professional body, unless the Regulatory Authority is satisfied (on the basis of evidence produced by the firm, if the authority so requires) that membership of such a body is not required.

Division S10.3 Experience and other elements

S10.31 Appropriate level of experience and seniority for the role.

Schedule 2 Competencies for customer facing function

(r 4A.2.3 (3))

Note 1 The requirements in this schedule are in addition to other requirements prescribed under any other *Rules*.

Note 2 The competencies in this schedule are based on the National Occupational Standards (the *FSP Standards*) prepared by the Financial Skills Partnership (UK). The FSP Standards are used in these rules with, and subject to, the permission of FSP. Copyright of the FSP Standards is vested in FSP and their use or reproduction by any person for any purpose without the written consent of FSP is prohibited.

Part S1 Customer facing function competencies— general insurance and pure protection contracts

Examples of roles performing this function

- 1 insurance adviser
- 2 insurance broker
- 3 insurance underwriter

Note for part S1

The competencies that individuals are expected to have under this part are not exhaustive, and the extent of their application depends on—

- (a) the nature and complexity of the individual's role in the day-to-day activities of the firm; and
- (b) the regulated activity or activities to be conducted by the individual (see rule 4A.2.3).

Division S1.1 Skills

- S1.1 Identify the *customers'* insurance needs for general insurance business
- S1.2 Gather and validate financial information
- S1.3 Analyse *customers'* financial situation
- S1.4 Research and select appropriate insurance solutions to inform recommendations
- S1.5 Advise on suitable insurance solutions and agree the next steps
- S1.6 Implement insurance solutions
- S1.7 Agree insurance policies with *customers* to enable them to be appropriately insured
- S1.8 Process insurance applications
- S1.9 Assist *customers* with claims
- S1.10 Evaluate insurance products and services
- S1.11 Process insurance business as an intermediary
- S1.12 Process insurance renewals as an intermediary

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Effective: 1/Jul/13 – 31/Dec/14

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- S1.13 Process mid-term insurance amendments
- S1.14 Evaluate risk and advise other insurance intermediaries
- S1.15 Process insurance policy documentation
- S1.16 Underwrite risks
- S1.17 Prepare insurance policy documentation for business
- S1.18 Process insurance policy alterations
- S1.19 Process insurance renewals
- S1.20 Review underwriting decisions to accept risks
- S1.21 Underwrite policy alterations
- S1.22 Deal with requests to cancel insurance products or services

Division S1.2 Knowledge

Subdivision S1.2.A Retail customers

- S1.31 Unless the firm demonstrates to the satisfaction of the Regulatory Authority that the individual does not need the CISI Regulatory qualification (or its equivalent) to perform the role, the individual must have—
 - (a) the CISI Regulatory qualification; or
 - (b) any other qualification that the Regulatory Authority is satisfied (on the basis of evidence produced by the firm if the Regulatory Authority so requires) is at least equivalent to the CISI Regulatory qualification.
- S1.32 The individual must have—
 - (a) the CII Award in General Insurance; or
 - (b) any other qualification that the Regulatory Authority is satisfied (on the basis of evidence produced by the firm if the Regulatory Authority so requires) is appropriate for the role.

Note In satisfying itself for the purposes of rule S1.31 and S1.32, the Regulatory Authority may have regard to qualifications recognised as appropriate for the role by another regulator (for example, the Financial Services Authority (UK), the Australian Securities and Investments Commission, the New Zealand Securities Commission, the Financial Industry Regulatory Authority (US), the Securities and Futures Commission (Hong Kong) or the Monetary Authority of Singapore). Such qualifications may include legal, accounting, audit, risk and other specialised professional qualifications.

Subdivision S1.2.B Business or commercial customers

- S1.35 Level of knowledge appropriate for the role (which may be demonstrated by having appropriate qualifications)

Division S1.3 Experience and other elements

S1.41 Experience appropriate for the role (unless the individual is being assessed against this element for the purposes of a conditional approval)

Example of exception to rule S1.41

An individual who has recently obtained the CISI Regulatory qualification and CII Award in General Insurance may be conditionally approved under rule 4A.4.2 to exercise (under appropriate supervision) the customer facing function with retail customers despite the lack of experience in the customer facing function for general insurance if the individual will be likely to obtain the appropriate experience competency within 12 months.

Part S2 **Customer facing function competencies— long term insurance contracts and units in collective investment schemes**

Examples of roles performing this function

- 1 financial adviser
- 2 investment consultant
- 3 private client investment adviser
- 4 client service representative or relationship manager
- 5 institutional sales

Notes for part S2

- 1 The roles performing this function typically involve the regulated activities of *advising on investments* and *arranging deals in investments*.
- 2 The competencies that individuals are expected to have under this part are not exhaustive, and the extent of their application depends on—
 - (a) the nature and complexity of the individual's role in the day-to-day activities of the firm; and
 - (b) the regulated activity or activities to be conducted by the individual (see rule 4A.2.3).

Division S2.1 **Skills**

- S2.1 Engage the *customer* for financial advice and planning
- S2.2 Gather and validate financial information, including—
- (a) the *customer's* financial situation; and
 - (b) the *customer's* investment objectives and risk tolerance; and
 - (c) the *customer's* knowledge of and experience in the relevant investment field; and
 - (d) the nature, volume and frequency of the *customer's* transactions in the investment field and the period over which they have been carried out; and
 - (e) the *customer's* level of education and profession or former profession
- S2.3 Analyse the customer's financial situation and assess the *customer's* demands and needs
- S2.4 Research and select appropriate financial solutions to inform recommendations
- S2.5 Advise on suitable financial solutions and agree the next steps
- S2.6 Explain possible disadvantages that a course of action advised might have for the *customer*, including the nature of the risks involved
- S2.7 Implement financial solutions
- S2.8 Review and respond to the *customer's* changing financial needs and circumstances
- S2.9 Deal with requests to cancel policies or investments

Division S2.2 Knowledge

Subdivision S2.2.A Retail customers

S2.21 Unless the firm demonstrates to the satisfaction of the Regulatory Authority that the individual does not need the CISI Regulatory qualification (or its equivalent) to perform the role, the individual must have—

- (a) the CISI Regulatory qualification; or
- (b) any other qualification that the Regulatory Authority is satisfied (on the basis of evidence produced by the firm if the Regulatory Authority so requires) is at least equivalent to the CISI Regulatory qualification.

S2.22 The individual must have—

- (a) the CII Award in Financial Planning; or
- (b) any other qualification that the Regulatory Authority is satisfied (on the basis of evidence produced by the firm if the Regulatory Authority so requires) is appropriate for the role.

Note In satisfying itself for the purposes of this paragraph, the Regulatory Authority may have regard to qualifications recognised as appropriate for the role by another regulator (for example, the Financial Services Authority (UK), the Australian Securities and Investments Commission, the New Zealand Securities Commission, the Financial Industry Regulatory Authority (US), the Securities and Futures Commission (Hong Kong) or the Monetary Authority of Singapore). Such qualifications may include legal, accounting, audit, risk and other specialised professional qualifications.

Subdivision S2.2.B Business or commercial customers

S2.25 Level of knowledge appropriate for the role (which may be demonstrated by having appropriate qualifications)

Division S2.3 Experience and other elements

S2.31 Experience appropriate for the role (unless the individual is being assessed against this element for the purposes of a conditional approval)

Example of exception to rule S2.31

An individual who has recently obtained the CISI Regulatory qualification and CII Award in Financial Planning may be conditionally approved under rule 4A.4.2 despite the lack of experience in the customer facing function with retail customers if the individual will be likely to obtain the appropriate experience competency within 12 months.

Part S3 **Customer facing function competencies—relevant investments**

Note for part S3

The competencies that individuals are expected to have under this part are not exhaustive, and the extent of their application depends on—

- (a) the nature and complexity of the individual's role in the day-to-day activities of the firm; and
- (b) the regulated activity or activities to be conducted by the individual (see rule 4A.2.3).

Division S3.1 **Skills**

Subdivision S3.1.A **Advising on, and arranging deals in, investments (excluding long term insurance contracts and units in collective investment schemes)**

Examples of roles performing this function—advising on investments

- 1 financial adviser
- 2 investment strategist
- 3 private client investment adviser
- 4 client service representative or relationship manager
- 5 advising on securities or derivatives
- 6 institutional sales
- 7 commodities futures broker

- S3.1 Develop an investment strategy to meet agreed investment objectives
- S3.2 Analyse the risk and return profile of asset types for customers
- S3.3 Construct a risk profile for a proposed portfolio change
- S3.4 Make contact with the *customers* and gather and validate financial information relevant to the securities or derivatives market
- S3.5 Follow the initial contact process with *customers* and engage *customers* for financial advice and planning
- S3.6 Open an account and carry out appropriate administration for *customers* in securities or derivatives market
- S3.7 Establish the investment objectives of *customers*
- S3.8 Analyse the customers' financial situation and assess the *customers'* demands, needs and investment objectives
- S3.9 Research and select appropriate financial solutions to inform recommendations
- S3.10 Advise on appropriate financial solutions and agree the next steps
- S3.11 Review and respond to the *customers'* changing financial needs and circumstances

- S3.12 Advise *customers* on investment strategy and investment selection
- S3.13 Monitor individual portfolio performance using appropriate comparators
- S3.14 Prepare investment recommendations for re-structuring an individual or corporate portfolio
- S3.15 Report to customers on investment performance

Subdivision S3.1.B Managing investments

Examples of roles performing this function—managing investments

- 1 private client asset management
- 2 discretionary and specialised portfolio management
- 3 asset manager
- 4 investment manager
- 5 institutional asset manager
- 6 investment banker working in asset management
- 7 portfolio manager

- S3.21 Develop an investment strategy to meet agreed investment objectives
- S3.22 Implement a defined investment strategy
- S3.23 Analyse the risk and return profile of asset types
- S3.24 Construct a risk profile for a proposed portfolio change
- S3.25 Make contact with the *customers* and gather and validate financial information relevant to the securities or derivatives market
- S3.26 Monitor individual portfolio performance using appropriate comparators
- S3.27 Review and re-structure an individual or corporate portfolio
- S3.28 Establish and operate individual or corporate investment portfolio performance monitoring procedures
- S3.29 Report to customers on investment performance

Subdivision S3.1.C Dealing in investments

Examples of roles performing this function—dealing in investments

- 1 private client stock broker
- 2 trader in securities, equities, futures or bonds
- 3 securities underwriter
- 4 dealing in securities or derivatives
- 5 commodities futures broker

- S3.31 Dealing in investments following receipt of orders or instructions from customers
- S3.32 Dealing in investments on the firm's own account

Subdivision S3.1.D Research and analysis as part of advising on investments or other regulated activities

Examples of roles performing this function—research and analysis

- 1 corporate finance analyst
- 2 security or investment analyst
- 3 derivatives analyst

Guidance for subdivision S3.1.D

Before assessing an individual's research and analytical skills, rule 4A.2.3 (4) requires that the regulated activity or activities to be conducted by the individual be taken into consideration in determining the extent of the application of the competencies in this part. If the research and analysis to be performed by the individual are not in relation to a regulated activity (for example, if the research and analysis are for publication in a newspaper article that does not constitute giving advice on investments), then the individual need not be assessed against the competencies in this part. If the individual's research and analysis are part of conducting the regulated activity of advising on investments, then the individual must be assessed against the competencies in this part and approved as an approved individual.

- S3.41 Analyse and report implications of sector economics on investments
- S3.42 Analyse and report implications of national economics on investments
- S3.43 Analyse and report implications of international economics and foreign exchange markets on investments
- S3.44 Carry out financial and investment analysis of an individual business
- S3.45 Carry out financial and investment analysis of a *collective investment scheme*
- S3.46 Provide equity capital research and analysis support for portfolio management activities
- S3.47 Provide fixed interest securities research and analysis support for portfolio management activities
- S3.48 Provide research and analysis of alternative investments support for portfolio management activities
- S3.49 Provide cash and currencies research and analysis support for portfolio management activities
- S3.50 Provide property based markets research and analysis support for portfolio management activities
- S3.51 Interpret and analyse a *collective investment scheme's* objectives and parameters
- S3.52 Benchmark a *collective investment scheme's* performance against investment objectives
- S3.53 Review a *collective investment scheme* portfolio and adjust investments within the scheme's objectives

Division S3.2 Knowledge

Subdivision S3.2.A Retail customers

S3.61 Unless the firm demonstrates to the satisfaction of the Regulatory Authority that the individual does not need a CISI Regulatory qualification (or its equivalent) to perform the role, the individual must have—

- (a) the CISI Regulatory qualification; or
- (b) any other qualification that the Regulatory Authority is satisfied (on the basis of evidence produced by the firm if the Regulatory Authority so requires) is at least equivalent to the CISI Regulatory qualification.

S3.62 The individual must have a qualification that the Regulatory Authority is satisfied (on the basis of evidence produced by the firm if the Regulatory Authority so requires) is appropriate for the role.

Note In satisfying itself for the purposes of this rule, the Regulatory Authority may have regard to qualifications recognised as appropriate for the role by another regulator (for example, the Financial Services Authority (UK), the Australian Securities and Investments Commission, the New Zealand Securities Commission, the Financial Industry Regulatory Authority (US), the Securities and Futures Commission (Hong Kong) or the Monetary Authority of Singapore). Such qualifications may include legal, accounting, audit, risk and other specialised professional qualifications.

Subdivision S3.2.B Business or commercial customers

S3.65 Level of knowledge appropriate for the role (which may be demonstrated by having appropriate qualifications)

Division S3.3 Experience and other elements

S3.71 Experience appropriate for the role (unless the individual is being assessed against this element for the purposes of a conditional approval)

Example of exception to rule S3.71

An individual who has recently obtained the CISI Regulatory qualification and the appropriate technical qualifications may be conditionally approved under rule 4A.4.2 despite the lack of experience in the customer facing function with retail customers if the individual will be likely to obtain the appropriate experience competency within 12 months.

Glossary

(r 1.1.2)

actuarial function means the function described in CTRL, rule 3.1.11.

appropriately supervised, in relation to an individual, has the meaning given by rule 4A.4.3.

approved individual means an individual approved under the FSR, article 41 to perform 1 or more controlled functions.

authorisation means an authorisation granted under the *Financial Services Regulations*, part 5.

authorised firm (or **firm**) means a person that has an authorisation.

CII Award in General Insurance means the award (AGI) for passing the examination given by the Chartered Insurance Institute on general insurance, as revised from time to time; or

CII Award in Financial Planning (AFP) means the award for passing the examination given by the Chartered Insurance Institute on financial planning, as revised from time to time.

CISI Regulatory qualification means the award for passing the examination on the QFC Rules and Regulations, developed by the Regulatory Authority in conjunction with the Chartered Institute for Securities and Investments, as revised from time to time.

competencies, for a controlled function, has the meaning given by rule 4A.2.3.

compliance oversight function means the function described in CTRL, rule 3.1.9.

conditional approval means an approval under rule 4A.4.2.

controlled function has the meaning given by the FSR, article 41 (2).

CTRL means the *Governance and Controlled Functions Rules 2012*.

customer facing function means the function described in CTRL, rule 3.1.12.

document means a record of information in any form (including electronic form), and includes, for example—

- (a) anything in writing or on which there is writing; and
- (b) anything on which there are figures, marks, numbers, perforations, symbols or anything else having a meaning for individuals qualified to interpret them; and
- (c) a drawing, map, photograph or plan; and
- (d) any other item or matter (in whatever form) that is, or could reasonably be considered to be, a record of information.

executive governance function means the function described in CTRL, rule 3.1.3.

exercise, in relation to a function, includes perform the function.

finance function means the function described in CTRL, rule 3.1.5.

FSR means the *Financial Services Regulations*.

governing body has the meaning given by CTRL, rule 2.2.1.

INAP means the *Interpretation and Application Rulebook*.

internal audit function means the function described in CTRL, rule 3.1.10.

MLRO function means the function described in CTRL, rule 3.1.7.

month means calendar month.

non-executive governance function means the function described in CTRL, rule 3.1.2.

QFC means the Qatar Financial Centre.

regulated activity means an activity that is a regulated activity under the *Financial Services Regulations*.

Regulatory Authority means the Regulatory Authority of the QFC.

risk management function means the function described in CTRL, rule 3.1.8.

senior executive function means the function described in CTRL, rule 3.1.4.

senior management, of an authorised firm, means the firm's senior managers, jointly and separately.

senior management function means the function described in CTRL, rule 3.1.6.

senior manager, of an authorised firm, means an individual employed by the firm or a member of the firm's group who has responsibility either alone or with others for management and supervision of 1 or more elements of a firm's business relating to regulated activities.

training and competency programme means the programme required under rule 4A.1.1.

training and competency document means the document required under rule 4A.1.3.

writing means any form of writing, and includes, for example, any way of representing or reproducing words, numbers, symbols or anything else in legible form (for example, by printing or photocopying).

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 Rules history

Individuals Rulebook (INDI)

made by

Individuals Rulebook Rule Making Instrument No. 3, 2005 (RM03/2005)

Made 13 October 2005

Commenced 13 October 2005

Version No. 1

as amended by

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

Made 5 September 2006

Commenced 1 October 2006

Version No. 2

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

Made 28 June 2007

Commenced 1 July 2007

Version No. 3

Rulebooks (Miscellaneous Amendments) Rules 2008 (RM2008/01 sch 2, pt 2.7)

Made 30 March 2008

Commenced 7 April 2008

Version No. 4

Miscellaneous Amendments Rules 2009 (QFCRA Rules 2009-2 sch 1, pt 1.7)

Made 6 December 2009

Commenced 6 December 2009

Version No. 5

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

Made 3 February 2010

Commenced 3 March 2010

Version No. 6

Anti-Money Laundering (Repeal and Amendment) Rules 2010 (QFCRA Rules 2010-3 sch 1, pt 1.4)

Made 15 April 2010

Commenced 30 April 2010

Version No. 7

Miscellaneous Amendments Rules 2010 (No 2) (QFCRA Rules 2010-4 sch 1, pt 1.6 and sch 2, pt 2.7)

Made 19 September 2010

r 1 to 4 commenced 19 September 2010

sch 1, pt 1.6 and sch 2, pt 2.7 commenced 1 October 2010

Version No. 8

Captive Insurance Business (Consequential Amendments) Rules 2011 (QFCRA Rules 2011-2 sch 1, pt 1.4) and

Insurance Mediation Business (Consequential Amendments) Rules 2011 (QFCRA Rules 2011-4 sch 1, pt 1.6 and sch 2, pt 2.4)

Made 20 June 2011

Commenced 1 July 2011

Version No. 9

Training, Competency and Miscellaneous Amendments Rules 2011 (QFCRA Rules 2011-5 sch 1, pt 1.2 and sch 2, pt 2.4)

Made 4 December 2011

Commenced 1 January 2012

Version No. 10

Governance and Controlled Functions (Consequential and Miscellaneous) Amendment Rules 2012 (QFCRA Rules 2012-5 sch 1)

Made 19 December 2012

Commenced 1 July 2013

Version No. 11

3 Amendment history

Background to this Rulebook

Background am Rules 2011-4
om Rules 2012-5

General provisions

ch 1 sub Rules 2011-5

Principles of conduct for approved individuals

ch 2 sub Rules 2012-5

Description of Controlled Functions

r 2.1.1 am Rules 2011-5

MLRO function

r 2.1.8 ins Rules 2010-3

Customer facing function

r 2.1.10sub Rules 2011-4

Actuarial Function

r 2.1.11ins RM2006/01

r 2.2.2 om Rules 2010-3

r 2.2.5 ins RM2006/01;
am Rules 2011-5

r 2.3.1 sub RM2007/01
am Rules 2010-3; Rules 2011-2; Rules 2011-5

r 2.3.3 ins RM2006/01
am Rules 2011-2; Rules 2011-5

r 2.3.4 ins RM2006/01
am Rules 2011-2; Rules 2011-5

g (a r 2.3.4) ins RM2006/01

Transitional arrangements

s 2.4hdg ins Rules 2010-3

Transitional arrangements—MLRO function

r 2.4.1 ins Rules 2010-3
am Rules 2010-4

Transitional arrangements—MLRO residency

r 2.4.2 ins Rules 2010-3
am Rules 2010-4

Approved actuaries

ch 3hdg sub Rules 2010-1
ch 3 om Rules 2012-5

Application to register as an Approved Individual

s 3.1hdg om Rules 2010-1

Insurer to give notice before removal of approved actuary

r 3.1.1 (orig r 3.1.1) am RM 2008/01
om Rules 2010-1
(prev r 3.4.1) ins RM 2006/01
sub Rules 2009-2
am Rules 2010-2
renum as r 3.1.1 Rules 2010-4

Notification by insurer if appointment of approved actuary ends

r 3.1.2 (orig r 3.1.2) am RM 2008/01
om Rules 2010-1
(prev r 3.4.1A) ins Rules 2009-01
am Rules 2010-4
renum as r 3.1.2 Rules 2010-4

Insurer must appoint approved actuary if vacancy arises

r 3.1.3 (prev r 3.4.2) ins RM 2006/01
sub Rules 2009-2
renum as r 3.1.3 Rules 2010-4

r 3.1.4 (prev r 3.4.3) ins RM 2006/01
renum as r 3.1.4 Rules 2010-4
am Rules 2011-5

Application for modification of Approved Individual status

s 3.2hdg om Rules 2010-1

r 3.2.1 om Rules 2010-1

Application for withdrawal of Approved Individual status

s 3.3hdg om Rules 2010-1

r 3.3.1 om Rules 2010-1

r 3.3.2 om Rules 2010-1

g (a r 3.3.2) om Rules 2010-1

When application to withdraw registration of approved individual must be made

r 3.3.3 renum as r 6.3.1

Notification of removal or resignation of Approved Actuary

s 3.4hdg ins RM2006/01
om Rules 2010-1

Insurer to give notice before removal of approved actuary

r 3.4.1 renum as r 3.1.1

Notification by insurer if appointment of approved actuary ends

r 3.4.1A renum as r 3.1.2

Insurer must appoint approved actuary if vacancy arises

r 3.4.2 renum as r 3.1.3

r 3.4.3 renum as r 3.1.4

r 5.1.3 om Rules 2010-3

r 6.2.1 am Rules 2009-2

Principles for training and competency

ch 4 sub Rules 2011-5

Training and competency programme

ch 4A ins Rules 2011-5
 r 4A.1.1 am Rules 2012-5
 r 4A.1.3 am Rules 2012-5
 r 4.A2.1 am Rules 2012-5
 r 4.A2.2 am Rules 2012-5
 r 4A.3.2 am Rules 2012-5

Training and other ongoing obligations relating to controlled functions

ch 5 sub Rules 2011-5

Cessation of exercise of controlled functions

ch 6 sub Rules 2012-5

Individuals ceasing to exercise controlled functions

s 6.3hdg ins Rules 2010-1

When application to withdraw registration of approved individual must be made

r 6.3.1 (prev r 3.3.3) ins Rules 2009-2
 am Rules 2010-1
 renum as r 6.3.1 Rules 2010-1

Principles

ch 7 om Rules 2012-5

Miscellaneous

ch 8hdg ins Rules 2010-1
 om Rules 2010-4

Approved forms to be used

r 8.1.1 ins Rules 2010-1
 om Rules 2010-4

Completion of forms

r 8.1.2 ins Rules 2010-1
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Competencies for controlled functions other than customer facing function

sch 1 sub Rules 2011-5
 am Rules 2012-5

r S6.21 am Rules 2012-5

Internal audit function competencies

pt S10 ins Rules 2012-5

Competencies for customer facing function

sch 2 ins Rules 2011-5

Glossary

glos ins Rules 2011-5

def *actuarial function*

ins Rules 2012-5

def **compliance oversight function**
ins Rules 2012-5

def **CTRL**
ins Rules 2012-5

def **customer facing function**
sub Rules 2012-5

def **executive governance function**
ins Rules 2012-5

def **exercise**
ins Rules 2012-5

def **finance function**
ins Rules 2012-5

def **FSR**
sub Rules 2012-5

def **governing body**
ins Rules 2012-5

def **internal audit function.**
ins Rules 2012-5

def **MLRO function**
ins Rules 2012-5

def **non-executive governance function**
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def **risk management function**
ins Rules 2012-5

def **senior executive function**
ins Rules 2012-5

def **senior management function**
ins Rules 2012-5