



QFCA RULES

VERSION NO. 3

EFFECTIVE DATE: 23 SEPTEMBER 2014



CONTENTS

PART 1 – APPLICATION, INTERPRETATION AND DEFINITIONS	7
1. APPLICATION	7
2. INTERPRETATION.....	7
3. DEFINITIONS	8
PART 2 – GENERAL RULES	13
1. APPLICATION	13
2. LICENCE TO CONDUCT NON-REGULATED ACTIVITIES	13
2.1 Application	13
2.2 General Conduct	13
2.3 Rejection of Licence Application	13
3. GENERAL PROVISIONS	13
3.1 Application	13
3.2 Disclosure of Licensed Status.....	14
3.3 Communication with the QFCA and the CRO	14
3.4 Complaints against the QFCA.....	16
3.5 Registers of Public Information	16
3.6 Provision of Information.....	16
4. NOTICES TO THE QFCA.....	16
4.1 Application	16
4.2 Provision of Notifications	16
4.3 Core Details	17
4.4 Significant Events	18
4.5 Fraud and Errors	18
4.6 Action against a Licensed Firm	18
5. REPORTING	18
5.1 Application	18
5.2 Provision of Reports	19
5.3 Summary of Reporting Requirements	19
6. RECORD KEEPING	19
6.1 Application	19
6.2 General Requirements	20
6.3 Maintenance of Records	20
7. WAIVERS AND MODIFICATIONS.....	21
7.1 Application	21
7.2 Application to Waive or Modify Rules	21
7.3 Procedure on Receipt of an Application	22

7.4	Conditions for Granting a Waiver or Modification	22
7.5	Applicability of a Waiver or Modification Notice.....	22
7.6	Continuing Relevance of a Written Notice	23
7.7	Publication of a Waiver or Modification Notice	24
7.8	Revocation or Variation of a Waiver or Modification Notice.....	24
7.9	Referral of the QFCA's Decisions in Relation to a Waiver or Modification Notice	24
8.	CONTROLLERS	24
8.1	Application	24
8.2	General Provisions.....	24
8.3	Requirement to Notify the QFCA.....	26
8.4	Controller Notice	26
8.5	Consideration of Controller Notices	26
9.	ACCOUNTING AND AUDITING	27
9.1	Application	27
9.2	Accounting Records	27
9.3	Accounting Standards	28
9.4	Financial Accounts and Statements.....	28
9.5	Auditor's Report	28
10.	FEES.....	30
10.1	Application.....	30
10.2	General Provisions	30
10.3	Supplementary Fees	30
10.4	Application Fees	30
10.5	Annual Fees	31
10.6	Fees for Extracts of Information from the Registers of Public Information	31
10.7	Miscellaneous Fees.....	31
11.	REGISTERED FUNCTIONS.....	31
11.1	Application.....	31
11.2	Description of Registered Functions.....	31
11.3	Senior Executive Function.....	32
11.4	Additional Registered Function	32
12.	NOTIFICATION OF REGISTERED FUNCTIONS	33
12.1	Application.....	33
12.2	Notification of an Individual Conducting Registered Functions.....	33
12.3	Consideration of Registered Function Notices	33
13.	FITNESS AND PROPRIETY.....	33
13.1	Application.....	33
13.2	Licensed Firm's Assessment of Individuals	34

14.	COMPETENCE, TRAINING AND SUPERVISION	34
14.1	Application.....	34
14.2	Suitability and Competence.....	34
14.3	Training and Supervision	34
15.	PERFORMANCE OF REGISTERED FUNCTIONS	35
15.1	Application.....	35
15.2	Multiple Appointments.....	35
16.	PROFESSIONAL SERVICES.....	35
16.1	Application.....	35
16.2	Definition.....	35
16.3	Definitions of Professional Services	37
16.4	Application.....	38
16.5	On-going duties.....	39
16.6	Withdrawal of Licence	40
	SCHEDULE 1.....	41
	SCHEDULE 2.....	43
	SCHEDULE 3.....	44
	SCHEDULE 4.....	45
	SCHEDULE 5.....	47
PART 3	– CONDUCT OF BUSINESS RULES	51
1.	APPLICATION	51
2.	GENERAL CONDUCT OF BUSINESS	51
3.	COMMUNICATION OF INFORMATION AND MARKETING MATERIALS	51
3.1	Communication of Information.....	51
3.2	Reliance on Others	51
3.3	Marketing Material	52
3.4	Confidentiality	52
4.	CONFLICTS AND MATERIAL INTERESTS	52
4.1	Conflicts and Material Interests.....	52
5.	COMPLAINTS HANDLING.....	53
5.1	Complaints Handling.....	53
5.2	Record Keeping.....	53
PART 4	– LICENSED FIRM ASSETS RULES.....	54
1.	APPLICATION	54
2.	OBJECTIVES	54
2.1	General Objectives	54
2.2	Requirements	54
3.	GENERAL PROVISIONS	54
3.1	Provision of Information.....	54

4.	CLIENT MONEY	54
4.1	Application	54
4.2	Definition of Client Money	55
4.3	Creation of Trust over Client Money	55
4.4	Payment of Client Money into Client Bank Accounts	56
4.5	Segregation of Client Money from the Licensed Firm's Own Money	57
4.6	Payment of Client Money from Client Bank Accounts.....	58
4.7	Client Notifications	58
4.8	Client Reporting	58
4.9	Reconciliation	59
4.10	Auditor's Reports	60
4.11	Record Keeping	60
5.	CLIENT MONEY DISTRIBUTION RULES	60
5.1	Application	60
5.2	Firm-Related Distribution Event	61
5.3	Third Party-Related Distribution Event	61
PART 5 – COMPLIANCE AND ENFORCEMENT RULES.....		63
1.	APPLICATION	63
2.	ADMINISTRATION	63
3.	INVESTIGATIONS.....	63
3.1	Powers to Obtain Documents and Information	63
3.2	Reports.....	64
3.3	Appointment of Investigators.....	64
3.4	Investigations – Duties and Powers	65
3.5	Admissibility	66
3.6	The Role of the Relevant Review Body in Investigations	66
3.7	Self Incrimination.....	66
3.8	Protected Items	67
3.9	Obstruction of the QFCA.....	67
4.	DISCIPLINARY POWERS	67
4.1	Public Censure	67
4.2	Financial Penalties.....	67
4.3	Appointment of Managers.....	68
4.4	Undertakings	68
4.5	Prohibitions and Restrictions	69
4.6	Injunctions	69
4.7	Restitution Orders	70
4.8	Civil Proceedings.....	70
4.9	Appeals.....	70

4.10	Power of QFCA to Intervene in any Proceedings.....	71
4.11	Effect of Provisions	71
4.12	Procedural Irregularities	71
5.	ENFORCEMENT PROCEDURE	71
5.1	Right to Make Written Representations	71
5.2	Decision Notices.....	72
5.3	Implementation of a Decision Notice.....	72
5.4	Discontinuance of Proceedings	73
5.5	Publishing Information	73
5.6	Publication of Statements.....	73
5.7	Access to QFCA Material.....	73
5.8	Procedure in Relation to Decision Notices	74
5.9	Policy in Relation to Penalties	74
6.	CONTRAVENTIONS	74
6.1	Contravention of Relevant Requirements.....	74
6.2	Involvement in Contraventions	76

PART 1 – APPLICATION, INTERPRETATION AND DEFINITIONS

1. APPLICATION

The rules set out herein shall be referred to as the QFCA Rules. These QFCA Rules are made pursuant to Article 12 of the QFC Authority Regulations.

The QFCA Rules shall apply to all Licensed Firms and where specified in Table 1 below to Authorised Firms in respect of a Relevant Requirement. The QFCA Rules also apply to Applicants, as relevant, and references to Licensed or Authorised Firms shall include, where the context requires, Applicants to become Licensed or Authorised Firms.

TABLE 1: QFCA RULES APPLICABLE TO AUTHORISED FIRMS

PART/RULES
Part 2 : General Rules Rule 3.3, 5, 6, 7 and 10.7
Part 5 : Compliance and Enforcement Rules

2. INTERPRETATION

In the QFCA Rules, a reference to:

- (A) a provision of any law, regulation or rule includes a reference to that provision as amended or re-enacted from time to time;
- (B) a calendar year shall mean a year of the Gregorian calendar;
- (C) a month shall mean a month of the Gregorian calendar;
- (D) the masculine gender includes the feminine and the neuter;
- (E) writing includes any form of representing or reproducing words in legible form; and
- (F) references to a Person is, where the context permits, to any Person in respect of which the QFCA has jurisdiction under or pursuant to the QFC Law or Regulations or Rules or whose conduct or activities are or may be subject to the QFC Law , Regulations or Rules.

The headings in the QFCA Rules shall not affect its interpretation.

A reference in a rule or other part or Schedule of the QFCA Rules to a paragraph, sub-paragraph or rule by number or letter only, and without further identification, is a reference to a paragraph, sub-paragraph or rule of that number or letter contained in the rule or other part or Schedule of the QFCA Rules in which that reference occurs.

Each of the Schedules to the QFCA rules shall have effect as if set out in the QFCA Rules and reference to QFCA Rules shall include reference to the Schedule.

Any reference in QFCA Rules to "include", "including", "in particular", "for example", "such as " or similar expressions shall be considered as being by way of illustration or emphasis only and are not to be construed so as to limit the generality of any words preceding them.

3. DEFINITIONS

"AML/CFT Law" means Law No. (4) of 2010 on Anti-Money Laundering and Combating the Financing of Terrorism.

"AML/CFT Rules" means the Anti-Money Laundering and Combating Terrorist Financing Rules 2010 of the QFC Regulatory Authority.

"Applicant" means a body corporate, partnership or unincorporated association which is the subject of an application for a QFCA Licence or QFC Regulatory Authority Authorisation.

"Application" means an application for a QFCA Licence or QFC Regulatory Authority Authorisation.

"Authorised Firm" means a person authorised by the QFC Regulatory Authority to engage in Regulated Activities as set forth in Article 23 of QFC Financial Services Regulations.

"Business Day" means any day which is not a Friday, a Saturday or a public holiday in the State of Qatar.

"CER Rules" means the Compliance and Enforcement Rules set out in Part 5 of these QFCA Rules.

"Client" means any person who enters into a transaction with a Licensed Firm in respect of a Non-Regulated Activity, including the receipt of advice and any other business or service undertaken by a Licensed Firm in the course of carrying out a Non-Regulated Activity in or from the QFC.

"Client Money" means all money held or received by a Licensed Firm:

(A) from or on behalf of a Client in the course of or in connection with the carrying on of a Non-Regulated Activity in or from the QFC; or

(B) which a Licensed Firm treats as Client Money in accordance with LFAR.

“COB Rules” means the conduct of business rules set out in Part 3 of these QFCA Rules.

“Control” has the meaning set out in Rule 8.2.1.

“Controller Notice” means a notice relating to a change in Control of a Licensed Firm as required under General Rule 8.3.

“CRO” means the Companies Registration Office established pursuant to Article 7 of the QFC Law.

“Eligible Bank” means a Person that is an Authorised Firm with an authorisation for deposit taking, or a person in relation to whom all of the following requirements are satisfied:

- (A) the Person is incorporated in a jurisdiction outside the QFC;
- (B) the Regulatory Authority has not, by notice, declared that this definition does not apply to the jurisdiction;
- (C) the Person is regulated as a bank, and principally regulated for prudential purposes, by an overseas regulator in the jurisdiction;
- (D) the Person is required to prepare audited accounts;
- (E) the Person has minimum assets of US \$10 million (or its equivalent in any other currency at the relevant time);
- (F) the Person had surplus revenue over expenditure for the Person’s last 2 financial years; and
- (G) the Person’s latest annual audit report is not materially qualified.

“Entity” a Body Corporate or partnership or unincorporated association carrying on Business with a view to a profit.

“Financial Services Regulations” means the QFC Financial Services Regulations No. (1) of 2005.

“Firm-Related Distribution Event”, for a Licensed Firm, means:

- (A) the appointment of a liquidator, receiver or administrator or of a trustee in bankruptcy; or
- (B) an event in any jurisdiction equivalent to an appointment mentioned in paragraph (A); or

- (C) the withdrawal or cancellation by the QFCA of the Licensed Firms' Licence; or
- (D) the imposition or variation of a condition, restriction or requirement on the Licensed Firms' Licence so that it is no longer permitted to hold Client Money.

"General Rules" means the general rules set out in Part 2 of these QFCA Rules.

"Group" means with respect to an Entity:

- (A) that Entity;
- (B) any parent Entity of the Entity; and
- (C) any subsidiary (direct or indirect) of that Entity or of any parent Entity of that Entity.

"LFAR" means Licensed Firm Asset Rules set out in Part 4 of these QFCA Rules.

"Licensed Firm" means a person licensed by the QFCA to engage in Non-Regulated Activities in or from the QFC, and that is not an Authorised Firm.

"Local Licensed Firm" means a Licensed Firm incorporated in the QFC.

"MLRO" means the Licensed Firm's money laundering reporting officer.

"Non-Local Licensed Firm" means a Licensed Firm established outside the QFC and operating through a branch in the QFC.

"Non-Regulated Activities" has the meaning set out at Article 110 of the QFC Financial Services Regulations.

"Objectives" mean the Objectives of the QFCA pursuant to Article 6 of the QFC Authority Regulations.

"Ordinary Business Hours", on a day means between 8 am and 5 pm or as amended by the QFCA from time to time.

"Person" means any person and includes a natural or legal person, body corporate, or body unincorporated, including a branch, company, partnership, unincorporated association or other undertaking, government or state.

"Protected Item" means a communication between a professional legal adviser and his Client or any Person representing his Client, which is

made either in connection with the giving of legal advice to the Client or in connection with, or in contemplation of, legal proceedings (including the exercise of powers by the QFCA under relevant Regulations, or in proceedings before the Relevant Review Body) and for the purposes of those proceedings.

“QFCA” means the Qatar Financial Centre Authority.

“QFC Law” means Law No. (7) of Year 2005.

“QFC Entity” means a Company incorporated under the Companies Regulations or a Limited Liability Partnership incorporated under the Limited Liability Partnership Regulations.

“QFCA Licence” means a licence to operate in the QFC issued by the QFCA pursuant to Article 11.1 of the QFC Law.

“QFCA Rule” means any rules made by the QFCA pursuant to Article 12 of the QFC Authority Regulations.

“QFC Authority Regulations” means the QFC Authority Regulations, No 9 of 2005, as amended from time to time.

“Registered Functions” has the meaning set out in General Rule 11.

“Registered Functions Notice” means a notice relating to a change in Registered Function of a Licensed Firm as required under General Rule 12.2.

“Regulations” means Regulations enacted by the Minister in accordance with Article 9 of the QFC Law.

“Regulatory Authority” means the Regulatory Authority of the QFC established in accordance with Article 9 of the QFC Law.

“Relevant Requirement” has the meaning set out in CER 6.1 in relation to Regulations or rules administered by the QFCA.

“Relevant Review Body” has the meaning set out in the CER Rule 3.1.2.

“Rules” means Rules made by the QFC Authority under the Regulations pursuant to which the QFC Authority has power to make rules, including, where the context permits, standards, principles and codes of practice.

“Senior Executive Function” has the meaning set out in General Rule 11.3.

“Signed” means bearing the physical signature or electronic signature of the Licensed Firm’s or Authorised Firm’s authorised signatory.

“Single Family Office Regulations” means the QFC Single Family Office Regulations, No. 16 of 2012, as amended from time to time.

“Third Party-Related Distribution Event” for an Eligible Bank means:

- (A) the appointment of a liquidator, receiver or administrator, or of a trustee in bankruptcy; or
- (B) an event in any jurisdiction equivalent to an appointment mentioned in paragraph (A).

PART 2 – GENERAL RULES

1. APPLICATION

The QFCA Rules in Part 2 shall be referred to as the General Rules and shall apply to all Licensed Firms, and where specified herein to Authorised Firms in respect of a Relevant Requirement.

2. LICENCE TO CONDUCT NON-REGULATED ACTIVITIES

2.1 APPLICATION

This General Rule 2 applies only to Licensed Firms.

2.2 GENERAL CONDUCT

In order to become and remain a Licensed Firm, a Person shall ensure it is and remains fit and proper and complies with any Regulations and Rules as well as the QFCA Rules that may apply to the particular type of Non-Regulated Activities undertaken and shall conduct itself at all times in a manner that (A) reflects and promotes the spirit, purpose and Objectives of the general principles set out in Schedule 1 (the "Principles"), and (B) does not harm or hinder the QFCA in achieving its Objectives, strategies and priorities.

2.3 REJECTION OF LICENCE APPLICATION

Pursuant to Article 21(1) of the QFCA Regulations, the QFCA shall have the discretion and power to reject an Application if the QFCA considers, after review of the Application, that the Application does not meet the Objectives, strategies and priorities set by the QFCA from time to time (including, but not limited to, the consideration of the existing number and composition of Licensed Firms in the QFC), taking into account the matters set out in Article 21(2) of the QFCA Regulations.

3. GENERAL PROVISIONS

3.1 APPLICATION

This General Rule 3 applies to a Licensed Firm and where specified, to an Authorised Firm in respect of a Relevant Requirement.

3.2 DISCLOSURE OF LICENSED STATUS

3.2.1 A Licensed Firm must not misrepresent its status expressly or by implication.

3.2.2

(A) A Licensed Firm must take reasonable care to ensure that all business documents in connection with the carrying on of Non-Regulated Activities in or from the QFC include one of the disclosures in General Rule 3.2.2 (C).

(B) The expression "business documents":

(i) includes, but is not limited to, letterheads, whether issued by post, fax or electronic means, terms of business, Client agreements, written financial communications, business cards, prospectuses and websites; but

(ii) does not include compliment slips, account statements or text messages.

(C) The disclosure required under this General Rule is:

(i) "Licensed by the Qatar Financial Centre Authority"; or

(ii) "Licensed by the QFCA".

(D) The QFCA logo must only be reproduced with the express written permission of the QFCA and in accordance with any conditions for use issued from time to time.

3.3 COMMUNICATION WITH THE QFCA AND THE CRO

3.3.1 Without prejudice to any other provision of these Rules all communications made by a Licensed or Authorised Firm to the QFCA or the CRO whether pursuant to any Regulations, Rules, or otherwise shall be made by an employee (officer or otherwise) of the Licensed or Authorised Firm authorised to make such communication to the QFCA or the CRO and shall be in English unless otherwise permitted by the QFCA or the CRO.

All internal procedures, records or other documentation created by the Licensed or Authorised Firm shall be in English.

3.3.2

(A) The QFCA may operate an electronic submission system (Electronic System) to allow Licensed Firms, Authorised

Firms, or other Persons approved in writing by the QFCA (Registered Users) to communicate with it or with the CRO, to produce documents and information in an electronic form. The QFCA may issue instructions for, amongst other things:

- (i) access to, guidelines concerning and the use of the Electronic System;
 - (ii) QFCA's approval of any individuals nominated to access and use the Electronic System on behalf of a Registered User;
 - (iii) withdrawal of access to Registered Users or any individual previously approved to access and use the Electronic System on behalf a Registered User; and
 - (iv) measures that the QFCA considers necessary or desirable to maintain the integrity and security of the Electronic System.
- (B) The Registered User must ensure that:
- (i) only suitable individuals have access to the Electronic System;
 - (ii) individuals who have access to the Electronic System follow the usage instructions and use the Electronic System properly;
 - (iii) it has adequate policies, procedures, systems and controls to comply with this Rule 3.3; and keep necessary records; and
 - (iv) it and its directors, officers, employees, agents and contractors do not do, or fail to do, anything that compromises the integrity or security of the Electronic System.
- (C) If a communication is made to the QFCA or the CRO using the Electronic System, the communication will be deemed to have been made at the time it is received by the QFCA or the CRO; and for the purposes of these Rules, to have been Signed and made in writing.
- (D) This rule is additional to, and does not limit, the generality of Rule 3.3.1 (Communication with the QFCA and the CRO), any other provision of these Rules or any other Rules.

3.4 COMPLAINTS AGAINST THE QFCA

Without prejudice to the rights set out at Article 25 of the QFCA Regulations, the QFCA shall make arrangements for the prompt, efficient, impartial and independent investigation of complaints made against it arising out of the exercise, or failure to exercise, any of its functions under Articles 19 or 21 of the QFCA Regulations.

3.5 REGISTERS OF PUBLIC INFORMATION

3.5.1 The QFCA shall make public its register of Licensed Firms licensed to conduct Non-Regulated Activities including a register of individuals undertaking a Registered Function at a Licensed Firm.

3.5.2 The QFCA registers will be maintained in electronic form in English and extracts of the registers will also be made available at the premises of the QFCA during normal business hours, upon application and payment of the prescribed fee set forth in Schedule 4 (Fees) or otherwise prescribed by notice.

3.6 PROVISION OF INFORMATION

An extract of information from the registers maintained by the QFCA under General Rule 3.5, in relation to any particular Licensed Firm and individuals undertaking Registered Functions, upon application and payment of the prescribed fee, is prima facie evidence of the matters stated in it.

4. NOTICES TO THE QFCA

4.1 APPLICATION

This General Rule 4 applies to Licensed Firms.

4.2 PROVISION OF NOTIFICATIONS

4.2.1 Unless a QFCA Rule states otherwise, a Licensed Firm must ensure that each notification it provides to the QFCA:

(A) is in writing and contains the Licensed Firm's name, QFC number and any additional information required by the QFCA; and

(B) is submitted on any relevant QFC Form or Electronic System operated by the QFCA.

4.2.2 A notification must be submitted to the QFCA:

- (A) by electronic mail at the address provided by the QFCA or in the Electronic System operated by the QFCA; and
- (B) duly Signed by the signatories specified in the relevant QFCA Rule or as set forth herein and delivered by:
 - (i) post to the current address of the QFCA;
 - (ii) hand delivery to the current address of the QFCA; or
 - (iii) fax to a fax number provided by the QFCA.

4.2.3 Where a QFCA Rule does not specify a specific signatory, any notification or submission of a report must be Signed by the individual performing the Senior Executive Function or of the Licensed Firm or other authorised signatory.

4.3 CORE DETAILS

4.3.1 A Licensed Firm must provide the QFCA with reasonable advance notice of any change in:

- (A) the Licensed Firm's name;
- (B) the continuation of its business in the QFC;
- (C) the address of the Licensed Firm's principal place of business in the QFC;
- (D) in the case of a branch, its registered office or head office address;
- (E) its legal structure;
- (F) the name of any individual undertaking a Registered Function or any material matters relating to such individual's fitness and propriety; and
- (G) Control, pursuant to General Rule 8.

4.3.2 A Local Licensed Firm must provide the QFCA with prior notice of the establishment or closure of a branch office or a subsidiary anywhere in the world from which it carries on services.

4.4 SIGNIFICANT EVENTS

4.4.1 A Licensed Firm must advise the QFCA immediately if it becomes aware of any matters that have occurred or may occur in the foreseeable future that could materially impact on the Licensed Firm's ability to provide adequate services to its Client and/or to continue in business and/or have a significant adverse impact on the reputation of the Licensed Firm or of the QFC.

4.5 FRAUD AND ERRORS

4.5.1 A Licensed Firm must notify the QFCA immediately if one of the following events arises in relation to its activities in or from the QFC:

- (A) it becomes aware that an employee may have committed a fraud against one of its Client;
- (B) a serious fraud has been committed against it;
- (C) it has reason to believe that a Person is acting with intent to commit a serious fraud against it; or
- (D) it identifies significant irregularities in its accounting or other records, whether or not there is evidence of fraud.

4.6 ACTION AGAINST A LICENSED FIRM

4.6.1 A Licensed Firm must notify the QFCA immediately if:

- (A) civil proceedings are brought against the Licensed Firm and the amount of the claim is in excess of 20% of the Licensed Firm's financial resources or is significant in relation to its reputation; or
- (B) the Licensed Firm is prosecuted for, or convicted of, any offence involving fraud or dishonesty, or any penalties are imposed on it for tax evasion.

5. REPORTING

5.1 APPLICATION

This General Rule 5 applies to a Licensed Firm and to an Authorised Firm in respect of a Relevant Requirement.

5.2 PROVISION OF REPORTS

5.2.1

- (A) Unless a QFCA Rule states otherwise, a Licensed or Authorised Firm must ensure that each report it provides to the QFCA:
 - (i) contains the Licensed or Authorised Firm's name, the related QFC number and any other information required by the QFCA; and
 - (ii) subject to (B) is received by the QFCA during Ordinary Business Hours on the date the report is due.
- (B) If the due date is not a Business Day, the report must be received by the QFCA during Ordinary Business Hours of the next Business Day.
- (C) A report will not be considered to have been received by the QFCA until it has been:
 - (i) received by the QFCA; and
 - (ii) duly Signed by the signatories specified in the relevant QFCA Rule and delivered:
 - (1) by email or Electronic System;
 - (2) by post to the current address of the QFCA;
 - (3) hand delivered to the current address of the QFCA; or
 - (4) faxed to a fax number provided by the QFCA.

5.2.2 Where a QFCA Rule does not specify a specific signatory, the report must be Signed by the individual performing the Senior Executive Function or other authorised signatory.

5.3 SUMMARY OF REPORTING REQUIREMENTS

The reporting requirements relevant to Licensed or Authorised Firms are set out at Schedule 2.

6. RECORD KEEPING

6.1 APPLICATION

This General Rule 6 applies to a Licensed Firm and to an Authorised Firm in respect of a Relevant Requirement.

6.2 GENERAL REQUIREMENTS

6.2.1 A Licensed or Authorised Firm must maintain appropriate records of:

- (A) matters and dealings, including accounting records;
- (B) policies and procedures; and
- (C) other documentation,

which are required under Relevant Requirements.

6.3 MAINTENANCE OF RECORDS

6.3.1 A Licensed or Authorised Firm must ensure records, however stored, are capable of reproduction on paper within a reasonable period not exceeding three (3) Business Days.

6.3.2 In maintaining records, a Licensed or Authorised Firm must have regard to any requirements for preservation, confidentiality, security and the frequency and ease of access required to records.

6.3.3 Subject to General Rule 3.3 the Licensed or Authorised Firm may maintain records created by third parties in any language. If those records are requested by the QFCA they must be reproduced in English within a reasonable period not exceeding three (3) Business Days of the date of the request.

6.3.4

(A) Where original documents cannot be maintained, copies may be kept, provided they are duly certified copies of the original documents.

(B) A document in (A) must be certified by:

- (i) in the case of a document created or issued or copied by the Licensed or Authorised Firm itself, a director or secretary of the Firm;
- (ii) in the case of a document issued by a public body responsible for the maintenance of the original document, a Person properly authorised by that public body; or
- (iii) in any other case, a Person duly authorised to certify official documents in the jurisdiction in which the copy is being certified.

6.3.5 Unless otherwise stated in a specific provision, records and documents must be maintained by the Licensed or Authorised Firm for at least six (6) years.

7. WAIVERS AND MODIFICATIONS

7.1 APPLICATION

This General Rule 7 applies to a Licensed Firm and to an Authorised Firm in respect of a Relevant Requirement.

7.2 APPLICATION TO WAIVE OR MODIFY RULES

7.2.1 If a Licensed or Authorised Firm wishes to apply for a Waiver or Modification Notice, it must apply in writing to the Legal Department of the QFCA.

7.2.2 The application for a Waiver or Modification Notice must contain:

- (A) the Licensed or Authorised Firm's name and the related QFC number;
- (B) the Relevant Requirement to which the application relates;
- (C) a clear explanation of the waiver or modification that is being applied for and the reason why the Licensed or Authorised Firm is requesting it;
- (D) details of any other requirements; for example, if there is a specific period for which the Waiver or Modification Notice is required;
- (E) any reasons the Licensed or Authorised Firm may have as to why the Waiver or Modification Notice should not be published or why it should be published without disclosing the identity of the Firm or the confidential or propriety nature of certain information; and
- (F) all relevant facts to support the application.

7.2.3 An application for a Waiver or Modification Notice must be Signed by the individual performing the Senior Executive Function or other authorised signatory.

7.2.4 A Licensed or Authorised Firm must immediately notify the QFCA if it becomes aware of any material change in circumstances which may affect the application for a Waiver or Modification Notice.

7.3 PROCEDURE ON RECEIPT OF AN APPLICATION

- 7.3.1 The QFCA will acknowledge an application for a Waiver or Modification Notice and may request further information. The time taken to determine the application will depend upon the issues it raises.
- 7.3.2 An application for a Waiver or Modification Notice may be withdrawn at any time up until the giving of the Waiver or Modification Notice. In doing so, a Licensed or Authorised Firm should provide reasons for withdrawing the application.

7.4 CONDITIONS FOR GRANTING A WAIVER OR MODIFICATION

- 7.4.1 The QFCA must be satisfied, when giving a notice under this General Rule 7 in relation to a Person, that:
 - (A) either:
 - (i) the burden experienced by that Person in complying with the Relevant Requirement would significantly outweigh the benefits that the Relevant Requirement was intended to achieve; or
 - (ii) compliance with the Relevant Requirement would not achieve or further the purpose for which the Relevant Requirement was made; and
 - (B) the notice would not result in undue risk to Persons whose interests the QFCA Rule is intended to protect.

7.5 APPLICABILITY OF A WAIVER OR MODIFICATION NOTICE

- 7.5.1 If a Waiver or Modification Notice directs that a Relevant Requirement is to apply to a Licensed or Authorised Firm with modifications, then failure to comply with the modified requirement constitutes a contravention under the QFCA Regulations.
- 7.5.2 If a Waiver or Modification Notice is given subject to a condition, then failure to comply with the terms and conditions constitutes a contravention under the QFCA Regulations.

7.6 CONTINUING RELEVANCE OF A WRITTEN NOTICE

A Licensed or Authorised Firm must immediately notify the QFCA if it becomes aware of any material change in circumstances which could affect the continuing relevance of a Waiver or Modification Notice.

7.7 PUBLICATION OF A WAIVER OR MODIFICATION NOTICE

7.7.1 Unless the QFCA is satisfied that it is inappropriate or unnecessary to do so, it must publish a Waiver or Modification Notice given under General Rule 7.5 in such a way (including publication on its website) as it considers appropriate for bringing the notice to the attention of:

(A) those likely to be affected by it; and

(B) others who may be likely to become subject to a similar notice.

7.8 REVOCATION OR VARIATION OF A WAIVER OR MODIFICATION NOTICE

The QFCA may on the application of the Person to whom it applies, or on its own initiative:

(A) revoke a written notice; or

(B) vary a written notice.

7.9 REFERRAL OF THE QFCA'S DECISIONS IN RELATION TO A WAIVER OR MODIFICATION NOTICE

Any decision of the QFCA with respect to the granting or refusal of a waiver or modification of a Relevant Requirement may be referred to the Relevant Review Body by the Person to whom the waiver or modification relates (or would relate if granted).

8. CONTROLLERS

8.1 APPLICATION

8.1.1 This General Rule 8 applies to:

(A) Persons who acquire, or change their level or type of Control over a Licensed Firm; and

(B) a Licensed Firm.

8.2 GENERAL PROVISIONS

8.2.1 For the purposes of these QFCA Rules, the definition of "Control" is as follows:

(1) A Person acquires control over a Licensed Firm where the Person:

(A) holds 10% or more of the shares in the Licensed Firm;

(B) is entitled to exercise, or controls the exercise of, 10% or more of the voting power in the Licensed Firm; or

(C) is able to exercise significant influence over the management of the Licensed Firm by virtue of shareholding or voting power, or by contractual or other arrangements, including but not limited to the Licensed Firm's board of directors and chief executive officer.

(2) For purposes of this Article:

(A) shares:

(i) In relation to a Licensed Firm with a share capital, means allotted shares;

(ii) In relation to a Licensed Firm with capital but no share capital, means rights to share in the capital of the Licensed Firm; and

(iii) In relation to a Licensed Firm without capital, means interests conferring any right to share in the profits, or liability to contribute to the losses, of the Licensed Firm; or giving rise to any obligation to contribute to the debts or expenses of the Licensed Firm in the event of winding up; and

(B) voting power, in relation to a Licensed Firm which does not have general meetings at which matters are decided by the exercise of voting rights, means the right under the constitution of the Licensed Firm or alter the terms of its constitution.

8.2.2 A Licensed Firm must provide information on its Controllers in the form and in the manner required by the QFCA.

8.2.3 A Licensed Firm must establish and maintain systems and controls to enable it to:

(A) be advised of any proposed or actual acquisitions or changes in Control; and

(B) monitor any proposed or actual acquisition or changes in Control.

8.3 REQUIREMENT TO NOTIFY THE QFCA

A Controller Notice must be submitted to the QFCA to notify the QFCA of an acquisition or cessation of Control in a Licensed Firm.

8.4 CONTROLLER NOTICE

8.4.1 A Controller Notice must be in writing on any relevant QFC Form.

8.4.2 A Controller Notice must be accompanied by the information and documents as specified in any such QFC Form.

8.4.3 The QFCA may request such additional information or documents as it reasonably considers necessary in order to enable it to determine what action it should take in response to the Controller Notice.

8.4.4 A Controller Notice must be submitted by:

(A) the Licensed Firm in question; or

(B) where the Licensed Firm is not aware of the acquisition or change in Control, the Person who is proposing to acquire or cease Control or has acquired or ceased Control.

8.4.5 A Controller Notice must be submitted by the individual performing the Senior Executive Function, or other authorised signatory.

8.4.6 A Controller Notice must be submitted to the QFCA in line with the provisions for notifications outlined in these General Rules.

8.4.7 A Controller Notice must be submitted to the QFCA not less than thirty (30) days in advance of the proposed acquisition or change in Control. Where this is not reasonably practicable, the Licensed Firm must submit the Controller Notice immediately upon becoming aware of the proposed or actual acquisition or change in Control.

8.5 CONSIDERATION OF CONTROLLER NOTICES

8.5.1 The QFCA shall advise of any objections to the Controller Notice or conditions to the acceptance of the Controller Notice no later than 30 days following the date of delivery of the complete Controller Notice to the QFCA. If the QFCA does not send any objections or notice of conditions in writing to the Licensed Firm within thirty (30) days following such date the Controller Notice shall be deemed to have been accepted unconditionally by the QFCA. If the QFCA does advise the Licensed Firm of any objections or conditions

of acceptance then it may call for such further information from the Licensed Firm and such other parties as it considers necessary or appropriate, and shall make a final determination within thirty (30) days of receipt of such information.

8.5.2 In considering whether to object to the Controller Notice or issue conditions to the acceptance of the Controller Notice, the QFCA may have regard to:

(A) the Licensed Firm's fitness, propriety and compliance with the Regulations and Rules;

(B) the spirit, purpose and Objectives of the Principles; and

(C) the Objectives, strategies and priorities of the QFCA.

Any determination made by the QFCA pursuant to this General Rule 8.5 may be referred to the Relevant Review Body by the Licensed Firm to which the proposed change in Control relates.

9. ACCOUNTING AND AUDITING

9.1 APPLICATION

This General Rule 9 applies to a Licensed Firm.

9.2 ACCOUNTING RECORDS

9.2.1 A Licensed Firm must keep accounting records with respect to all sums of money received and expended by the Licensed Firm and all sales and purchases of goods and services and other transactions by the Licensed Firm and the assets and liabilities of the Licensed Firm. Such accounting records must be sufficient to show and explain all transactions by the Licensed Firm and must be such to:

(A) disclose with reasonable accuracy the financial position of the Licensed Firm at any time;

(B) enable the Licensed Firm to ensure that any accounts prepared by the Licensed Firm comply with the requirements in these Rules; and

(C) record the financial position of the Licensed Firm as at its financial year end.

9.2.2 A Licensed Firm must maintain the accounting records, financial accounts and statements and auditors reports required under the

Companies Regulations, the Limited Liability Partnership Regulations, any other applicable Regulations and this chapter for at least six (6) years from the date to which they relate.

9.3 ACCOUNTING STANDARDS

A Licensed Firm must prepare and maintain all financial accounts and statements in accordance with IFRS, US GAAP, UK GAAP or such other principles or standards approved in writing by the QFCA.

9.4 FINANCIAL ACCOUNTS AND STATEMENTS

9.4.1 Within four months of the end of the financial year, a Licensed Firm must:

- (A) have its accounts and financial statements examined and reported upon by the Licensed Firm's auditor in accordance with the requirements of the Companies Regulations or Limited Liability Partnership Regulations, any other applicable Regulations and these Rules; and
- (B) file a copy of the financial statements and auditor's report with the CRO.

9.5 AUDITOR'S REPORT

9.5.1 A Licensed Firm must in addition to the requirements contained in the Companies Regulations, the Limited Liability Partnership Regulations, and other applicable Regulations ensure that its auditor:

- (A) conducts an audit of the Licensed Firm's accounts and financial statements in accordance with the requirements of the relevant standards published by the International Auditing and Assurance Standards Board (IAASB) or other standards deemed acceptable by the QFCA;
- (B) produces a report on the audited accounts and financial statements which states:
 - (i) whether, in the auditor's opinion, the accounts have been properly prepared in accordance with the requirements imposed by Regulations or these Rules;
 - (ii) in particular, whether the accounts give a true and fair view of the financial position of the Licensed Firm for the financial year and of the state of the Licensed Firm's affairs at its financial year end; and

- (iii) any other matter or opinion relating to the requirements of Regulations or these Rules;
- (C) produce an auditors report which states whether:
- (i) the auditor has audited the Licensed Firm's annual financial statements in accordance with the IAASB or other standards deemed acceptable by the QFCA;
 - (ii) the auditor has carried out any other procedures considered necessary, having regard to the IAASB or other standards deemed acceptable by the QFCA;
 - (iii) the auditor has received all necessary information and explanations for the purposes of preparing this report to the QFCA; and
 - (iv) in the auditor's opinion, the Licensed Firm has kept proper accounting records, in compliance with the applicable Rules;
- (D) produces, if the Licensed Firm controls or holds Client Money, a report which states whether, in the opinion of the Auditor:
- (i) the Licensed Firm has maintained throughout the year systems and controls to enable it to comply with the relevant provisions of the LFAR;
 - (ii) the Licensed Firm's controls are such as to ensure that Client Money is identifiable and secure at all times;
 - (iii) any of the requirements of LFAR have not been met;
 - (iv) if applicable, Client Money that has been segregated in accordance with the LFAR;
 - (v) if applicable, the Licensed Firm was holding and controlling an appropriate amount of Client Money in accordance with LFAR as at the date on which the Licensed Firm's audited balance sheet was prepared; and
 - (vi) if applicable, there have been any material discrepancies in the reconciliation of Client Money.

10. FEES

10.1 APPLICATION

Except as set forth in General Rule 10.7, this General Rule 10 applies only to a Licensed Firm.

10.2 GENERAL PROVISIONS

10.2.1 Where a fee is payable for any Application to the QFCA, the Application may not be regarded as submitted until the fee has been paid in full.

10.2.2 Where an annual fee or supplementary fee in relation to ongoing supervision is due from a Licensed Firm under a provision of these Rules, it must be paid by the date upon which it falls due. Should a Licensed Firm fail to pay by the due date then, without limiting the right of the QFCA to take any other action, the sum due will be increased by 1% for each calendar month, or part of a calendar month, that it remains outstanding beyond the due date.

10.2.3 The QFCA may reduce, waive or refund all or part of any fee if, having considered the exceptional circumstances of a particular case, it deems it would be equitable to do so.

10.3 SUPPLEMENTARY FEES

10.3.1

(A) The QFCA may require a Licensed Firm or Applicant to pay a supplementary fee to the QFCA in circumstances where it has or reasonably expects to incur substantial additional costs in dealing with an Application or conducting ongoing supervision.

(B) In such cases the QFCA will notify the Applicant as soon as reasonably practicable of the amount of the supplementary fee.

10.4 APPLICATION FEES

10.4.1 An Applicant seeking to conduct Non-Regulated Activities in or from the QFC and a Licensed Firm applying for a licence to conduct additional Non-Regulated Activities must pay to the QFCA:

(A) the Application fees specified in Schedule 4; and

(B) any supplementary fee required by the QFCA.

10.4.2 Any Application and supplementary fees paid, whether in respect of an Applicant or Licensed Firm, are non-refundable, regardless of whether the Application is successful or not.

10.5 ANNUAL FEES

10.5.1 A Licensed Firm must pay to the QFCA:

- (A) the annual fee specified in Schedule 4; and
- (B) any supplementary fee required by the QFCA.

10.5.2

- (A) The initial annual fee (pro-rated) must be paid in full to the QFCA within twenty one (21) days of the date of grant of a Licence.
- (B) Subsequent annual fees must be paid in full to the QFCA on or before 1 January of every calendar year.

10.6 FEES FOR EXTRACTS OF INFORMATION FROM THE REGISTERS OF PUBLIC INFORMATION

Persons seeking extracts of information in accordance with General Rule 3.6 maintained in the public registers by the QFCA in relation to a Licensed Firm and Persons conducting Registered Functions must, upon application pay the fee prescribed in Schedule 4.

10.7 MISCELLANEOUS FEES

The QFCA may also charge fees as specified in Schedule 4 or otherwise by notice for various services requested by Licensed or Authorised Firms not mandated by any Relevant Requirement but are otherwise consistent with the QFCA's Objectives.

11. REGISTERED FUNCTIONS

11.1 APPLICATION

This General Rule 11 applies to a Licensed Firm.

11.2 DESCRIPTION OF REGISTERED FUNCTIONS

11.2.1 Subject to General Rule 11.3, Licensed Firms must have one individual registered to carry on the following functions:

- (A) a Senior Executive Function;

(B) if applicable, the MLRO and in compliance with the requirements of the AML/CFT Law and the AML/CFT Rules under the supervision of the Regulatory Authority; and

(C) if applicable, the Designated Representative Function and in compliance with the requirements of the Single Family Office Regulations.

11.2.2 If more than one individual is appointed to perform the Registered Functions listed in General Rule 11.2.1 (A) and (B), the Licensed Firm must ensure that the allocation of responsibility clearly avoids duplication or omission.

11.3 SENIOR EXECUTIVE FUNCTION

11.3.1 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 a Licensed Firm; or

(B) in the case of a Non-Local Licensed Firm, for the business of the Licensed Firm carried out in or from the QFC.

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

(A) in the case of a Local Licensed Firm is ordinarily resident in the State; and

(B) in the case of a Non-Local Licensed Firm, spends an appropriate proportion of his time in the State having regard to responsibilities that the Senior Executive Function entails.

11.3.3 A Single Family Office is not required to have an individual carrying out the Senior Executive Function.

11.4 ADDITIONAL REGISTERED FUNCTION

11.4.1 The MLRO Function is required for a Licensed Firm that is a designated non-financial business or profession (within the meaning of the AML/CFT Rules).

11.4.2 The Designated Representative Function is required for a Licensed Firm that is a Single Family Office within the meaning of the Single Family Office Regulations.

12. NOTIFICATION OF REGISTERED FUNCTIONS

12.1 APPLICATION

This General Rule 11 applies to a Licensed Firm.

12.2 NOTIFICATION OF AN INDIVIDUAL CONDUCTING REGISTERED FUNCTIONS

12.2.1 A Licensed Firm shall provide details to the QFCA of each person that shall conduct a Registered Function on behalf of the Licensed Firm, in writing on the relevant QFC form, Signed by the individual who will be performing the Registered Function and an individual authorised to sign on behalf of the Licensed Firm.

12.2.2 For the purposes of General Rule 12.2.1 a Licensed Firm includes an Applicant for Licensed Firm status.

12.2.3 The Licensed Firm shall promptly inform the QFCA in writing of any change in the status or identity of an individual conducting a Registered Function. The notice must include any other matters required by the relevant QFC Form. This does not relieve the Licensed Firm from providing any required notice under the AML/CFT Law and the AML/CFT Rules to the Regulatory Authority.

12.3 CONSIDERATION OF REGISTERED FUNCTION NOTICES

The QFCA shall advise of any objections to the Registered Function Notice or conditions to the acceptance of the Registered Function Notice no later than thirty (30) days following the date of delivery of a complete Registered Function Notice to the QFCA. If the QFCA does not send any objections or notice of conditions in writing to the Licensed Firm within thirty (30) days following such date the Registered Function Notice shall be deemed to have been accepted unconditionally by the QFCA. If the QFCA does advise the Licensed Firm of any objections or conditions of acceptance then it may call for such further information from the Licensed Firm and such other parties as it considers necessary or appropriate, and shall make a final determination within thirty (30) days of receipt of such information.

13. FITNESS AND PROPRIETY

13.1 APPLICATION

This General Rule 13 applies to a Licensed Firm.

13.2 LICENSED FIRM'S ASSESSMENT OF INDIVIDUALS

13.2.1 Before registering an individual as conducting a Registered Function with the QFCA, a Licensed Firm must make reasonable enquiries as to an individual's fitness and propriety to carry out a Registered Function. When making an assessment of an individual to determine the fitness and propriety of the individual, a Licensed Firm should have regard to the individual's:

- (A) honesty, integrity and reputation;
- (B) competence and capability; and
- (C) financial soundness.

13.2.2 A Licensed Firm must not register an individual to conduct a Registered Function if it has reasonable grounds to believe that the individual is not fit and proper to carry out the Registered Function.

14. COMPETENCE, TRAINING AND SUPERVISION

14.1 APPLICATION

This General Rule 14 applies to a Licensed Firm.

14.2 SUITABILITY AND COMPETENCE

14.2.1 A Licensed Firm should carry out appropriate investigations as to skill, experience, background and qualifications of that individual having regard to the nature and complexity of the relevant Registered Function in the context of the Non-Regulated Activities carried on by the Licensed Firm.

14.2.2 A Licensed Firm may not assess an individual as competent to perform the Money Laundering and Terrorist Financing Reporting Function unless it is satisfied that the individual has adequate knowledge of the AML/CFT Law and AML/CFT Rules.

14.2.3 In assessing the suitability of an individual to perform a Registered Function a Licensed Firm should have regard to all relevant factors including matters which may impact on that individual's fitness and propriety.

14.3 TRAINING AND SUPERVISION

A Licensed 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 Licensed Firm and the types of Client with which the Licensed Firm deals.

15. PERFORMANCE OF REGISTERED FUNCTIONS

15.1 APPLICATION

This General Rule 15 applies to a Licensed Firm.

15.2 MULTIPLE APPOINTMENTS

15.2.1 An individual may carry on Registered Functions for more than one Licensed Firm provided that:

(A) each such Licensed Firm confirms to the QFCA:

(i) that it is aware of the Registered Functions which that individual carries out for any other Licensed Firm;

(ii) that it is satisfied that no conflict of interest will arise from the performance by that individual of those Registered Functions for such other Licensed Firm; and

(B) the QFCA is satisfied that no such conflicts of interest will arise.

15.2.2 An individual may carry on more than one Registered Function for a Licensed Firm provided that the Licensed Firm is satisfied that the performance of such Registered 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 Licensed Firm.

16. PROFESSIONAL SERVICES

16.1 APPLICATION

This General Rule 16 applies to a Licensed Firm that is conducting or intends to conduct the Professional Services below in or from the QFC.

16.2 DEFINITION

16.2.1 An activity constitutes Professional Services under these QFCA Rules where it is an activity specified in General Rule 16.2.2 and such activity is carried on by way of business in the manner described in General Rule 16.2.4.

16.2.2 The activities for the purposes of General Rule 16.2.1 are:

- (A) providing Legal Services;
- (B) providing Accountancy Services;
- (C) providing Tax Services;
- (D) providing Ship Broking and Agency Services;
- (E) providing Credit Rating Services; and
- (F) providing Classification Services

16.2.3 Each kind of activity specified in General Rule 16.2.2:

- (A) is to be construed in the manner provided under these Rules;
and
- (B) is subject to rules and exclusions under these Rules which may apply to such an activity.

16.2.4 A Licensed Firm carries on an activity specified in General Rule 16.2.2 by way of business only if it carries on that activity from a permanent place of business maintained by it in the QFC and engages in that activity in a manner which constitutes the carrying on of a business by it.

16.2.5 An individual does not carry on an activity specified in General Rule 16.2.2 by way of business if he or she carries on that activity solely as an employee or partner who is employed or appointed under a contract of service or partnership contract by a Licensed Firm.

16.2.6 A Person does not carry on an activity specified in General Rule 16.2.2 by way of business if that Person is a Body Corporate and carries on the activity solely as principal with or for other Bodies Corporate:

- (A) which are within the same Group; or
- (B) which are or propose to become participators in a joint enterprise and the transaction is entered into for the purposes of or in connection with that enterprise.

16.2.7 A person does not carry on an activity specified in General Rule 16.2.2 by way of business if such a person is an agency or other body created by or under the QFC or employed by the QFCA or QFC Regulatory Authority to the extent that it exercises a power to

perform a function relating to the governance or regulation of the QFC.

16.3 DEFINITIONS OF PROFESSIONAL SERVICES

Providing Legal Services

16.3.1 In General Rule 16.2.2, providing Legal Services means the application of legal principles or judgment with regard to the circumstances of another Person, including but not limited to:

- (A) giving legal advice or counsel to such a Person as to his legal rights or the legal rights or responsibilities of others;
- (B) giving legal advice or counsel to such a Person in relation to any QFC Law, or any Regulations or Rules issued thereunder or the laws of any other jurisdiction;
- (C) drafting or completion of legal documents or agreements which affect such a Person's legal rights;
- (D) representation of such a person in court proceedings or in an administrative adjudicative procedure in which legal pleadings are filed or a record is established as the basis for judicial review; or
- (E) negotiation of legal rights or responsibilities on behalf of such a Person; but excluding acting as a lay representative authorised by an administrative agency or tribunal, serving as a judge, mediator, arbitrator, conciliator or facilitator; and participation in employment negotiations, arbitrations or conciliations.

Providing Accountancy Services

16.3.2 In General Rule 16.2.2 providing Accountancy Services means the application of accounting principles or judgment with regard to the circumstances of another Person, including but not limited to the following:

- (A) performing audit, examination, verification, investigation, certification, presentation or review of financial transactions and accounting records for such a Person;
- (B) preparing or certifying reports on audits or examinations of books or records of account, balance sheets, and other financial, accounting and related documents for such a Person; or

(C) advising such a Person on matters relating to accounting procedure and the recording, presentation or certification of financial information or data, including financial information or data required, including by legislation applicable in the QFC.

Providing Tax Services

16.3.3 In General Rule 16.2.2 providing Tax Services means the provision of advice regarding taxation within the QFC, and taxation in one or more international jurisdictions, and **includes without limitation** the tax implications in any jurisdiction of any Permitted Activity undertaken by an Authorised Firm or a Licensed Firm.

Providing Ship Broking and Agency Services

16.3.4 In General Rule 16.2.2 providing Ship Broking and Agency Services means acting as an international shipbroker and/or shipping agent, including acting as intermediaries between ship owners and cargo interests or trading on their own account.

Providing Credit Rating Services

16.3.5 In General Rule 16.2.2 providing Credit Rating Services means the assessment and provision of credit ratings and related financial information services in relation to Persons whether located in the QFC or outside the QFC.

Providing Classification Services

16.3.6 In General Rule 16.2.2 providing Classification Services means providing services for classification of vessels.

16.4 APPLICATION

16.4.1 An Applicant seeking a Licence to provide Professional Services must apply to the QFCA to provide such services in or from the QFC by completing QFC Form Q01 as well as any other documentation required for an Applicant. An Applicant wishing to provide Professional Services must provide detailed information relating to all relevant criteria for the relevant Professional Service as set out in Schedule 5 to these General Rules.

16.4.2 An Applicant seeking to provide Professional Services must be a body corporate **or** a partnership. The Licensed Firm can be established as a Limited Liability Company, a Limited Liability Partnership, a Branch or as permitted by other Regulations within the QFC.

- 16.4.3 When considering an Application for registration to provide Professional Services, the QFCA will consider an Applicant's responses to the requirements set out in Schedule 5 for a particular Professional Service.
- 16.4.4 The QFCA shall have discretion whether to recognise any regulatory body or professional body to which an Applicant is a member (a "**Recognised Professional Body**") and any rules of conduct or code of conduct to which the Applicant may subscribe ("**Recognised Conduct Rules**"). The QFCA may also consider any matter that may harm or may have harmed the integrity or the reputation of the QFC or the QFCA.
- 16.4.5 The QFCA may from time to time, if it considers it expedient, publish lists of Recognised Professional Bodies or Recognised Conduct Rules. An Applicant's membership of a Recognised Professional Body or compliance with Recognised Conduct Rules shall not mean that the QFCA shall or must provide the Applicant with a Licence to operate in or from the QFC.
- 16.4.6 Following consideration of an Application, and any supporting information that the QFCA may request, the QFCA may in its discretion grant a Licence to an Applicant to conduct Professional Services in or from the QFC. The QFCA may place as a condition of the grant of a Licence to a Licensed Firm, amongst any other conditions as the QFCA may consider necessary, the continued membership and good standing of the Licensed Firm with the Recognised Professional Body to which it or its affiliate is a member and/or the continued compliance of the Licensed Firm with particular Recognised Conduct Rules or such other rules as the QFCA may consider necessary, provided that any such conditions shall be set out in the relevant Licence.

16.5 ON-GOING DUTIES

- 16.5.1 Without prejudice to the general operating requirements under the QFCA Rules, and other Rules and Regulations of the QFC applicable to a Licensed Firm, a Licensed Firm conducting Professional Services shall follow any Recognised Conduct Rules applicable to it and any other requirements of the Recognised Professional Body to which it or its affiliate is a member, as may be required by the QFCA when granting a Licence pursuant to General Rule 16.4.6.
- 16.5.2 Licensed Firms providing Professional Services in or from the QFC shall keep a record of all employees and, where applicable, partners operating in or from the QFC that are registered or certified by any Recognised Professional Body, and shall provide to

the QFCA a list of all such employees and partners as amended from time to time.

16.5.3 The Licensed Firm shall ensure that all employees and partners or other offices of the Licensed Firm shall comply with any training requirements of the Recognised Professional Body, including any requirements for continuing professional education, and shall maintain any registration or authorisation by the Recognised Professional Body. The QFCA may in its own discretion waive a requirement for an individual employed by a Licensed Firm who provides Professional Services to be registered or authorised by a Recognised Professional Body.

16.5.4 The Applicant or a Licensed Firm must inform the QFCA in writing as soon as it becomes aware of any change in the information provided pursuant to General Rule 16.4.1, or of any investigation of the activities or employees or officers of the Licensed Firm or any of its affiliates, whether based in Qatar or outside Qatar, by any regulatory body or professional body to which either the Licensed Firm or any of its affiliates is responsible or is a member. The Licensed Firm will cooperate with the QFCA and provide further information to the QFCA including any revised rules of professional conduct or code of conduct to which the Licensed Firm complies.

16.6 WITHDRAWAL OF LICENCE

Without prejudice to any other Rules and Regulations of the QFC, if a Licensed Firm loses its membership of a Recognised Professional Body the QFCA may suspend or withdraw the Licensed Firm's Licence. If a Licensed Firm is the subject of an investigation by a Recognised Professional Body, the QFCA may provide any information it holds regarding the Licensed Firm to the Recognised Professional Body or its advisers.

SCHEDULE 1

PRINCIPLES

1. PRINCIPLES OF CONDUCT

- 1.1 Principles 3, 4 and 5 also take into account any activities of other members of a Licensed Firm's Group where those activities impact or potentially impact the Licensed Firm's compliance with these Principles.
- 1.2 References in the Principles to Clients include references to potential Clients.
- 1.3 The Principles

Principle 1 Integrity	A Licensed Firm should observe high standards of integrity in the conduct of its business.
Principle 2 Skill, Care and Diligence	A Licensed Firm should act with due skill, care and diligence in the conduct of its business.
Principle 3 Management	A Licensed Firm should ensure that its affairs are managed effectively by its senior management.
Principle 4 Systems and Controls	A Licensed Firm should have effective systems and controls including risk management systems and adequate human and technological resources.
Principle 5 Financial Prudence	A Licensed Firm should maintain adequate financial resources.
Principle 6 Market Conduct	A Licensed Firm should observe proper standards of market conduct.
Principle 7 Clients' Interests	A Licensed Firm should have due regard to its Clients' interests and treat them fairly.
Principle 8 Communications with Clients	A Licensed Firm should pay due regard to the information needs of its Clients and communicate information to them in a way which is clear, fair and not misleading.

<p>Principle 9 Conflicts of Interest</p>	<p>A Licensed Firm should manage conflicts of interest fairly, both between itself and its Client, and between a Client and another Client, and must organise its affairs such that conflicts can be identified.</p>
<p>Principle 10 Relationship of Trust</p>	<p>A Licensed Firm should discharge faithfully a responsibility of trust toward a Client, including, taking reasonable care to ensure the suitability of its advice and discretionary decisions for any Client who is entitled to rely upon its judgment.</p>
<p>Principle 11 Client Assets</p>	<p>A Licensed Firm should arrange adequate protection for Clients' assets when it is responsible for them in accordance with the responsibility it has accepted.</p>
<p>Principle 12 Confidentiality</p>	<p>A Licensed Firm should ensure that information of a confidential nature received in the course of dealings with its Clients is treated in an appropriate manner.</p>
<p>Principle 13 Relations with the QFCA</p>	<p>A Licensed Firm should deal with all relevant rules and regulations in an open and cooperative manner and keep the QFCA promptly informed of anything relating to the Licensed Firm, of which the QFCA would reasonably expect notice.</p>

SCHEDULE 2

REPORTING TABLE

1. GUIDANCE

1.1 The aim of the Reporting Table is to provide a Licensed Firm with an overview of the relevant periodic reporting requirements throughout the Rules.

1.2 The table is not a complete statement of all requirements and should not be relied upon as such.

Reference	Report	Frequency	Due date	Firm
General Rule 9.4	Financial Statements and Auditors Annual Report	Annually	Within four (4) months of the end of its financial year	Licensed Firm
General Rule 9.5.1(D)	Client Money Auditors Report	Annually	Within four (4) months of the end of its financial year	Licensed Firm that holds Client Money

SCHEDULE 3

RECORD KEEPING REQUIREMENTS

1. RECORD KEEPING TABLE

1.1. GENERAL RULES

Subject of record	When	Retention Period
Accounting records, financial accounts and statements and auditor reports	On making the record	Six (6) years from the date to which they relate
Auditors qualification and approval	On appointment of the auditor	Six (6) years following the cessation of appointment of the auditor

1.2. INDIVIDUALS

Subject of record	When	Retention Period
Suitability and competence of individual to conduct Registered Functions	When assessing suitability and competence	Six (6) years after the individual ceases to perform the relevant Registered Function
Assessment of competency	When assessing competency	Six (6) years from the date on which the steps were taken

1.3. COB RULES

Subject of record	When	Retention Period
Any complaint received pursuant to COB Rule 6.2	On receiving complaint	Six (6) years after date of complaint

SCHEDULE 4

FEES

1. APPLICATION FEES

An Applicant seeking a Licence to conduct Non-Regulated Activities must pay the fees as follows, and as may be amended by the QFCA from time to time:

Non-regulated Activity	(USD or equivalent in QAR)
Ship broking and shipping agents	5000
Classification services, investment grading and other grading services	5000
Company headquarters, management offices and treasury operations	5000
Professional services including legal, accounting and consulting	5000
Holding companies	5000
Formation, operation and administration of trusts	5000
Formation, operation and administration of companies	5000
Special Purpose Companies	5000
Single Family Offices	5000

No separate fee is payable for registration with the CRO.

2. ANNUAL FEES

2.1 INITIAL ANNUAL FEE

- (1) A Licensed Firm must pay to the QFCA an initial annual fee for the initial period after the grant of Licensed Firm status.
- (2) The initial annual fee is calculated as the standard annual fee pro-rated over the whole months remaining between the date of the grant of the Licence and the end of the calendar year.

2.2 SUBSEQUENT ANNUAL FEES

- (1) A Licensed Firm must pay to the QFCA a standard annual fee after the period described in above paragraph 2.1.

(2) The standard annual fee is as follows, and may be amended by the QFCA:

Non-regulated Activity	(USD or equivalent in QAR)
Ship broking and shipping agents	5000
Classification services including credit ratings	5000
Non-regulated Activity	(USD or equivalent in QAR)
Company headquarters, management offices and treasury operations	5000
Professional services including legal, accounting and consulting	5000
Holding companies	500
Formation, operation and administration of trusts	5000
Formation, operation and administration of companies	5000
Special Purpose Companies	500
Single Family Offices	5000

3. PROVISION OF EXTRACTS OF INFORMATION FROM THE REGISTERS OF PUBLIC INFORMATION

In accordance with General Rule 10.6, Persons must upon Application for extracts of information from the registers of public information maintained by the QFCA, whether relating to either a Licensed Firm or a Registered Function, pay to the QFCA the prescribed fee of US\$ 50 for each specific information request.

4. MISCELLANEOUS FEES

The QFCA may also charge fees as specified in Schedule 4 or otherwise by notice for various services requested by Licensed or Authorised Firms not mandated by any Relevant Requirement but are otherwise consistent with the QFCA's Objectives. The minimum fee for any such service shall be US\$50.00 and notice will be provided in advance of actual fees to be assessed for that service.

SCHEDULE 5

LICENSING CRITERIA

When assessing an Application to conduct a Professional Services or other Non-Regulated Activity, as the QFCA may determine on a case by case basis, the QFCA may consider any of the following criteria, as well as any other criteria which in its sole discretion it considers relevant in order to further the QFCA's Objectives in Article 5 of the QFC Law to establish, develop and promote the QFC as a leading location for international finance and business with a legal and regulatory structure that complies with international best practice.

(A) In respect to providing Legal Services

- (i) a list of the professional bodies to which the Applicant is associated and/or regulated by;
- (ii) details of any codes of practice or rules to which the Applicant complies;
- (iii) a list of the laws and jurisdictions in which the Applicant and its lawyers are qualified to practice;
- (iv) a list of any investigations undertaken by any regulatory body that regulates the Applicant;
- (v) details of the types of Clients and matters that the Applicant has worked on in the past;
- (vi) the extent to which the Applicant has shown its qualification to practice particular areas of law in support of different Permitted Activities to the standard that shall apply in the QFC;
- (vii) the extent to which the Applicant has demonstrated that its core areas of practice are not readily available from provider of legal services already available in the State of Qatar or elsewhere in the region;
- (viii) details of the Applicants professional indemnity insurance cover;
- (ix) such other criteria as the QFCA may consider relevant or necessary.

(B) Accountancy Services

- (i) a list of the professional bodies to which the Applicant is associated and/or regulated by;

- (ii) details of any codes of practice or rules to which the Applicant complies;
- (iii) a list of any investigations undertaken by any regulatory body that regulates the Applicant;
- (iv) details of the types of Clients and matters that the Applicant has worked on in the past;
- (v) details of the Applicants professional indemnity insurance cover;
- (vi) qualifications to apply IFRS, UK GAAP, US GAAP, General Accepted Accounting Standards and/or AAOIFI standards;
- (vii) such other criteria as the QFCA may consider relevant or necessary.

(C) Tax Services

- (i) a list of the professional bodies to which the Applicant is associated and/or regulated by;
- (ii) details of the codes of practice or rules to which the Applicant complies;
- (iii) a list of any investigations undertaken by any regulatory body that regulates the Applicant;
- (iv) details of the types of Clients and matters that the Applicant has worked on in the past;
- (v) details of the tax systems on which the Applicant has experience of advising;
- (vi) details of the Applicant's professional indemnity insurance cover;
- (vii) such other criteria as the QFCA may consider relevant or necessary.

(D) Ship Broking and Agents Services

- (i) a list of the professional bodies to which the Applicant is associated and/or regulated by;
- (ii) details of the codes of practice or rules to which the Applicant complies;

- (iii) a list of any investigations undertaken by any regulatory body that regulates the Applicant;
- (iv) details of the types of Clients and matters that the Applicant has worked on in the past;
- (v) details of the Applicant's professional indemnity insurance cover;
- (vi) such other criteria as the QFCA may consider relevant or necessary.

(E) Credit Rating Services

- (i) a list of the professional bodies to which the Applicant is associated and/or regulated by;
- (ii) details of the codes of practice or rules to which the Applicant complies;
- (iii) a list of any investigations undertaken by any regulatory body that oversees the Applicant;
- (iv) details of the types of Clients and matters that the Applicant has worked on in the past;
- (v) details of the Applicant's professional indemnity insurance cover;
- (vi) such other criteria as the QFCA may consider relevant or necessary.

(F) Classification Services

- (i) a list of the professional bodies to which the Applicant is associated and/or regulated by;
- (ii) details of the codes of practice or rules to which the Applicant complies;
- (iii) a list of any investigations undertaken by any regulatory body that oversees the Applicant;
- (iv) details of the types of Clients and matters that the Applicant has worked on in the past;
- (v) details of the Applicant's professional indemnity insurance cover;

- (vi) such other criteria as the QFCA may consider relevant or necessary.

(G) Other Non-Regulated Activities

- (i) a list of the professional bodies to which the Applicant is associated and/or regulated by;
- (ii) a list of the codes of practice or rules to which the Applicant complies;
- (iii) a list of any investigations undertaken by any regulatory body that oversees the Applicant;
- (iv) details of the types of Clients and matters that the Applicant has worked on in the past;
- (v) details of the Applicant's professional indemnity insurance cover;
- (vi) such other criteria as the QFCA may consider relevant or necessary.

PART 3 – CONDUCT OF BUSINESS RULES

1. APPLICATION

- 1.1 The QFCA Rules in Part 3 shall be referred to as the Conduct of Business Rules (the “COB Rules”).
- 1.2 The provisions of these COB Rules apply to a Licensed Firm.

2. GENERAL CONDUCT OF BUSINESS

Without limiting the provisions of these Rules, a Licensed Firm must conduct its business in accordance with the principles set out in the General Rules.

3. COMMUNICATION OF INFORMATION AND MARKETING MATERIALS

3.1 COMMUNICATION OF INFORMATION

- 3.3.1 When a Licensed Firm communicates information to a Client, the Licensed Firm must take reasonable steps to communicate the information in a way which is clear, fair and not misleading.
- 3.3.2 A Licensed Firm must not, in any form of communication with a Client, attempt to avoid or limit any duty or liability it may have to that Client or any other person under a Relevant Requirement.

3.2 RELIANCE ON OTHERS

- 3.2.1 A Licensed Firm will be taken to comply with any Rule in these COB Rules that requires the Licensed Firm to obtain information to the extent that the Licensed Firm can show that it was reasonable for the Licensed Firm to rely on information provided to it in writing by another Person.
- 3.2.2 In COB Rule 3.2.1, it will be reasonable for the Licensed Firm to rely on any information provided to it in writing by a Person if it reasonably believes that the Person is competent to provide the information, unless the Licensed Firm is aware, or ought reasonably to be aware, of any fact or facts that would give the Licensed Firm reasonable grounds to question the accuracy of any such information.

3.3 MARKETING MATERIAL

Before a Licensed Firm communicates any marketing material to a Client it must ensure that the material is accurate and not misleading.

3.4 CONFIDENTIALITY

A Licensed Firm must refrain from disclosing outside the Licensed Firm any confidential information acquired in the conduct of its business without proper and specific authority unless there is a professional or legal duty to disclose.

4. CONFLICTS AND MATERIAL INTERESTS

4.1 CONFLICTS AND MATERIAL INTERESTS

4.1.1 A Licensed Firm must establish systems and controls to identify and manage any actual and potential conflict of interest and material interest to ensure that all of its Clients are fairly treated and not prejudiced by any such interests.

4.1.2 Where a Licensed Firm has knowledge of a conflict or a material interest, it must manage that interest by:

- a. establishing and maintaining effective internal restrictions on the communication of that knowledge within the Licensed Firm;
- b. disclosing the material interest or conflict of interest to the Client in writing either generally or in relation to a specific transaction and taking reasonable steps to ensure that the Client does not object; or
- c. relying on a written policy of independence, which requires an Employee to disregard any conflict of interest or material interest when advising a Client or exercising discretion.

4.1.3 If a Licensed Firm determines that it is unable to manage a conflict of interest or material interest using one of the methods described in COB Rule 4.1.2 it must decline to act for the Client.

4.1.4 A Licensed Firm must ensure that neither it nor its employees offers, gives solicits or accepts any inducement which is likely to conflict to a material extent with any duty that it owes to its Clients.

5. COMPLAINTS HANDLING

5.1 COMPLAINTS HANDLING

5.1.1 A Licensed Firm must establish and operate appropriate and effective written internal complaints handling procedures for dealing with complaints made against it by Clients in relation to Non-Regulated Activities (whether justified or not) fairly, efficiently and with due diligence and consideration.

5.1.2 The internal complaints handling procedures referred to in COB Rule 5.1.1 must provide for:

(A) receiving complaints;

(B) responding to complaints; and

(C) the appropriate investigation of complaints;

5.1.3 A Licensed Firm must take reasonable steps to ensure that all relevant Employees are aware of the Licensed Firm's internal complaint handling procedures and must endeavour to ensure that they act in accordance with them.

5.1.4 A Licensed Firm's systems and controls must include appropriate management controls to ensure that:

(A) it handles complaints fairly, consistently and promptly; and

(B) it identifies and remedies any recurring or systemic problems, as well as any specific problem identified by a complaint.

5.2 RECORD KEEPING

A Licensed Firm must make and retain records of complaints (where the complaint is in writing) and, even where the complaint is not in writing, it must make and retain records of the handling of the complaint for at least six (6) years from the date of its receipt of the complaint.

PART 4 – LICENSED FIRM ASSETS RULES

1. APPLICATION

The QFCA Rules in Part 4 shall be referred to as the Licensed Firm Assets Rules (the “**LFAR**”) and shall apply to a Licensed Firm.

2. OBJECTIVES

2.1 GENERAL OBJECTIVES

The QFCA considers that the proper safeguarding of money and other assets belonging to Clients is essential to the pursuit of its Objectives.

2.2 REQUIREMENTS

2.2.1 This LFAR sets out the requirements applicable to Licensed Firms in relation to the proper safeguarding of money and other assets belonging to Clients.

2.2.2 Failure by a Licensed Firm to comply adequately with this Rulebook is likely to impact on the QFCA's assessment of that Licensed Firm's fitness and propriety pursuant to General Rule 2.

3. GENERAL PROVISIONS

3.1 PROVISION OF INFORMATION

When a Rule in this LFAR requires information to be sent to a Client, a Licensed Firm must provide that information directly to the Client and not to another Person, unless the Licensed Firm has a written instruction from the Client requiring or permitting the Licensed Firm to provide the relevant information to that other Person, so long as the recipient is not connected with the Licensed Firm.

4. CLIENT MONEY

4.1 APPLICATION

4.1.1 This chapter applies to every Licensed Firm that holds Client Money.

4.1.2 For the purposes of Rule 4.1.1 of the LFAR, Client Money is held by a Licensed Firm if it is:

(A) directly held by the Licensed Firm;

- (B) held in an account in the name of the Licensed Firm; or
- (C) held by a Person, or in an account in the name of a Person, controlled by the Licensed Firm.

4.2 DEFINITION OF CLIENT MONEY

- 4.2.1 All money held or received by a Licensed Firm from or on behalf of a Client in the course of, or in connection with, the carrying on of any Non-Regulated Activity in or from the QFC is Client Money, except where such money that is immediately due and payable by the Client to the Licensed Firm for its own account.
- 4.2.2 For the purposes of Rule 4.2.1 of the LFAR, money which is immediately due and payable to a Licensed Firm for its own account includes money which is paid to the Licensed Firm (including by being deducted from Client Money held by the Licensed Firm) in settlement of fees, including fees for services provided to a Client, expenses of the Licensed Firm incurred and payable by the Licensed Firm and other charges that are due and payable to the Licensed Firm.
- 4.2.3 For the purposes of this chapter, the expression 'money' includes any right, instruction or direction to pay or be paid money or money's worth.

4.3 CREATION OF TRUST OVER CLIENT MONEY

- 4.3.1 All Client Money held by a Licensed Firm shall be subject to a trust (and the Licensed Firm shall be the trustee of that trust). Any Client Money held pursuant to that trust shall be held on the following terms:
 - (A) for the purposes of and on the terms of the Client Money Protection Rules and the Client Money Distribution Rules;
 - (B) subject to Rule 4.3.1(C) of the LFAR, for the Clients for whom that money is held according to their respective interests in it;
 - (C) on the failure of the Licensed Firm, for the payment of the costs properly attributable to the distribution of the Client Money, in accordance with Rule 4.3.1(B) of the LFAR; and
 - (D) after all valid claims and costs under Rule 4.3.1(B) and Rule 4.3.1(C) of the LFAR have been met, for the Licensed Firm itself.

4.4 PAYMENT OF CLIENT MONEY INTO CLIENT BANK ACCOUNTS

4.4.1 A Client Bank Account is an account:

- (A) that is held with a Eligible Bank;
- (B) that includes the words "Client Bank Account" in its title; and
- (C) in respect of which, the Licensed Firm has:

- (i) notified the relevant Eligible Bank in writing that all money standing to the credit of the account is held by the Licensed Firm as trustee and that the Eligible Bank is not entitled to combine the account with any other account or to exercise any right of set-off or counterclaim against money in that account in respect of any sum owed to it on any other account of the Licensed Firm; and

- (ii) requested the Eligible Bank to provide it with a written acknowledgement of the matters set out in Rule 4.4.1(C)(i) of the LFAR.

4.4.2 Where a Licensed Firm holds Client Money it must ensure, except where otherwise provided in Rule 4.4 or Rule 4.5 of the LFAR, that the Client Money is paid into one or more Client Bank Accounts as soon as possible and in any event within one (1) Business Day of receipt.

4.4.3 If the Client Money is received by a Licensed Firm in the form of an automated transfer, it must take reasonable steps to ensure that:

- (A) the money is received directly into a Client Bank Account; and
- (B) if money is received directly into the Licensed Firm's own account, the money is transferred into a Client Bank Account within one (1) Business Day of receipt.

4.4.4 If a Licensed Firm receives a mixed remittance (part Client Money and part other money), it must:

- (A) pay the full sum into a Client Bank Account in accordance with Rule 4.4.2 of the LFAR; and
- (B) transfer out that part of the payment which is not Client Money within one (1) Business Day of the day on which it would normally expect the remittance to be cleared (or, if such day is not a Business Day in the jurisdiction in which the account is held, on the next Business Day in that jurisdiction).

4.4.5 A Licensed Firm:

- (A) may only pay, or permit to be paid, Client Money into a Client Bank Account where it has undertaken a prior assessment of the suitability of the relevant Eligible Bank and concluded on reasonable grounds that the Eligible Bank is suitable to hold that Client Money in a Client Bank Account; and
- (B) must have systems and controls in place to ensure that the Eligible Bank remains suitable.

4.4.6 The requirement for a Licensed Firm to pay Client Money into a Client Bank Account does not apply with respect to Client Money:

- (A) received in the form of cheque, or other payable order, until the Licensed Firm is in receipt of the proceeds of that cheque; or
- (B) temporarily held by a Licensed Firm before forwarding to a Person nominated by the Client.

4.4.7 A Licensed Firm must have procedures for identifying Client Money received by it and for promptly recording the receipt of the money either in the books of account or a register for later posting to the Client cash book and ledger accounts. The procedures must cover Client Money received by the Licensed Firm through the mail, electronically or via agents of the Licensed Firm or through any other means.

4.5 SEGREGATION OF CLIENT MONEY FROM THE LICENSED FIRM'S OWN MONEY

4.5.1 Subject to Rule 4.5.2 of the LFAR, a Licensed Firm must not deposit its own money into a Client Bank Account.

4.5.2 A Licensed Firm must not hold money other than Client Money in a Client Bank Account unless it is:

- (A) a minimum sum required to open the account or to keep it open;
- (B) money that is temporarily in the account in accordance with Rule 4.4.4 of the LFAR (mixed remittance); or
- (C) interest credited to the account which exceeds the amount payable to Clients as interest and has not yet been withdrawn by the Licensed Firm, provided that the money is removed within one calendar month.

4.5.3 A Licensed Firm must maintain systems and controls for identifying money that is not permitted to be in a Client Bank Account and for transferring any such money which is in a Client Bank Account out of that account without delay.

4.6 PAYMENT OF CLIENT MONEY FROM CLIENT BANK ACCOUNTS

4.6.1 A Licensed Firm must have procedures for ensuring all withdrawals from a Client Bank Account are authorised.

4.6.2 Subject to Rule 4.6.3 of the LFAR, Client Money held by a Licensed Firm must remain in a Client Bank Account, until it is:

(A) due and payable to the Licensed Firm;

(B) paid to the Client on whose behalf the Client Money is held;

(C) paid in accordance with an instruction from the Client on whose behalf the Client Money is held;

(D) required to meet the payment obligations of the Client on whose behalf the Client Money is held; or

(E) paid out in circumstances that are otherwise authorised by the QFCA

where upon it shall cease to be Client Money and the Licensed Firm's obligations as trustee in respect of such money shall cease.

4.6.3 Money paid out by way of cheque or other payable order under Rule 4.6.2 of the LFAR must remain in a Client Bank Account until the cheque or payable order is presented to the Client's bank and cleared by the paying agent.

4.7 CLIENT NOTIFICATIONS

Before, or as soon as reasonably practicable after, a Licensed Firm receives Client Money, it must notify the Client on whose behalf the Client Money is held in writing of the terms on which such Client Money is held.

4.8 CLIENT REPORTING

4.8.1 A Licensed Firm must send a statement to the Client quarterly or at such other intervals as are agreed in writing with the Client.

4.8.2 The statement must include:

- (A) The Client's total Client Money balances held by the Licensed Firm reported in the currency in which the Client Money is held, or the relevant exchange rate if not reported in the currency in which the money is held;
 - (B) the amount, date, value and description of each credit and debit paid into and out of the account since the previous statement; and
 - (C) any interest earned and charged on the Client Money since the previous statement.
- 4.8.3 The statement sent to the Client must be prepared within one (1) calendar month of the statement date.

4.9 RECONCILIATION

- 4.9.1 A Licensed Firm must maintain a system to ensure that accurate reconciliations of the Client Bank Accounts in which Client Money is held are carried out, as frequently as necessary to ensure the accuracy of its records, and no less than once as at the close of the last Business Day of each calendar month.
- 4.9.2 A Licensed Firm must:
- (A) reconcile the individual credit ledger balances, Client Bank Account balances and the balances on the relevant Eligible Bank statement;
 - (B) check that the balance in the Client Bank Accounts as at the close of business on the previous day was at least equal to the aggregate balance of individual credit ledger balances as at the close of business on the previous day; and
 - (C) ensure that all shortfalls, excess balances and unresolved differences, other than differences arising solely as a result of timing differences between the accounting systems of the Eligible Bank and the Licensed Firm, are investigated and, where applicable, corrective action taken as soon as is practicable.
- 4.9.3 A Licensed Firm must perform the reconciliations required pursuant to Rule 4.9.2 of the LFAR within ten (10) Business Days of the date to which the reconciliation relates.
- 4.9.4 The Licensed Firm must notify the QFCA immediately where there has been a material discrepancy with the reconciliation which has

not been rectified within one (1) Business Day following the day on which that discrepancy was identified.

4.10 AUDITOR'S REPORTS

4.10.1 A Licensed Firm that holds Client Money must arrange for its auditors to prepare a report and submit it to the QFCA in accordance with General Rule 9.5.1(D).

4.11 RECORD KEEPING

4.11.1 A Licensed Firm must maintain records:

- (A) which enable the Licensed Firm to demonstrate to its auditors and the QFCA its compliance with the requirements set out in this chapter; and
- (B) which enable the Licensed Firm to demonstrate and explain all entries of money held in accordance with this chapter.

4.11.2 A Licensed Firm must maintain proper books and accounts based on the double-entry booking principle. They must be legible, up to date and contain narratives with the entries which identify and provide adequate information about each transaction to which this rulebook applies. Entries must be made in chronological order and the current balance must be shown on each of the Licensed Firm's ledgers.

4.11.3 A Licensed Firm must maintain a master list of all of its Client Bank Accounts.

4.11.4 The details of a Client Bank Account must be documented and maintained in the master list for at least six (6) years following the closure of the relevant Client Bank Account.

4.11.5 A Licensed Firm must maintain adequate records of all cheques and payment orders received in accordance with Rule 4.4.6 (A) of the LFAR.

4.11.6 Except as otherwise stated, all records maintained by a Licensed Firm pursuant to this chapter must be kept for at least six (6) years.

5. CLIENT MONEY DISTRIBUTION RULES

5.1 APPLICATION

This chapter applies to every Licensed Firm that holds Client Money.

5.2 FIRM-RELATED DISTRIBUTION EVENT

5.2.1 Following the occurrence of a Firm-Related Distribution Event in relation to a Licensed Firm, that Licensed Firm must distribute Client Money in the following order of priorities (subject to the deduction of any fees payable to the insolvency practitioner or other similar official that has responsibility for distributing such Client Money):

(A) first, all Client Money held in any Client Bank Account, shall be pooled and distributed among the Licensed Firm's Clients on a proportionate basis in accordance with the value of their respective valid claims against the Licensed Firm in respect of money owed to them by the Licensed Firm that is Client Money;

(B) secondly, upon satisfaction of all claims in (A) above;

(C) if a liquidator, receiver, administrator, or trustee in bankruptcy has been appointed over the Licensed Firm, the surplus shall be distributed in accordance with applicable insolvency or bankruptcy laws of the QFC; or

(D) in all other cases, the surplus shall be distributed in accordance with the direction of the QFCA.

5.2.2 Following the occurrence of a Firm-Related Distribution Event in relation to a Local Licensed Firm, if the amount of Client Money held in the Licensed Firm's Client Bank Accounts is insufficient to satisfy the valid claims against the Licensed Firm of any Clients in respect of money owed to them by the Licensed Firm that is Client Money, all other assets beneficially owned by the Licensed Firm shall be used to satisfy any outstanding amounts remaining payable to such Clients in respect of those claims that have not been satisfied from the application of Rule 5.2.1(A) of the LFAR in priority to all of the Licensed Firm's other creditors other than those that have a prior ranking security interest in such assets.

5.2.3 To the extent that the above requirements are inconsistent with the Insolvency Regulations, the above requirements will prevail.

5.3 THIRD PARTY-RELATED DISTRIBUTION EVENT

5.3.1 When Client Money is held by a Licensed Firm in a Client Bank Account with an Eligible Bank, the Licensed Firm continues to owe fiduciary duties to the Client by virtue of the trust constituted under Rule 4.3 of the LFAR. However, a Licensed Firm will not be held responsible for a shortfall in Client Money arising as a result of

or in connection with a Third Party-Related Distribution Event, provided that the Licensed Firm has complied with its fiduciary duties, including its duty to exercise proper care and skill in:

- (A) the selection of the Eligible Bank; and
- (B) its subsequent monitoring of that Eligible Bank.

5.3.2 Subject to compliance with these fiduciary duties, the Licensed Firm is therefore not required to make good any such shortfall (although it may, of course, choose to do so in the interests of its relationship with the relevant Clients).

5.3.3 Following the occurrence of a Third Party-Related Distribution Event in relation to the Eligible Bank:

- (A) unless the Licensed Firm chooses to make good shortfalls in the Client Money balances held (or which should have been held) in the Client Bank Accounts held by a Licensed Firm with the relevant Eligible Bank, such shortfalls shall be borne by Clients who have valid claims against the Licensed Firm in respect of money owed to them by the Licensed Firm that is Client Money, in proportion to the respective value of their claims;
- (B) the Licensed Firm must, as soon as is practicable, make and retain a record of each such Client's share of the shortfall and must promptly notify the amount of the shortfall to the affected Clients (except where the Licensed Firm chooses to make good the shortfall); and
- (C) Client Money received after the Third Party-Related Distribution Event:
 - (i) must not be transferred to the Eligible Bank which has suffered the Third Party-Related Distribution Event unless this is on the specific instructions of the Client (given after the occurrence of the Third Party-Related Distribution Event) in order to settle an obligation of that Client to that Eligible Bank; and
 - (ii) must, subject to (i), be placed in a separate Client Bank Account that has been opened with a different Eligible Bank after the Third Party-Related Distribution Event has occurred.

PART 5 – COMPLIANCE AND ENFORCEMENT RULES

1. APPLICATION

- 1.1 These QFCA Rules shall be referred to as the Compliance and Enforcement Rules (the “CER Rules”) and shall apply to all Licensed Firms or Authorised Firms.
- 1.2 Any term not defined in these Rules shall have the meaning set out in the QFC Financial Services Regulations, except that references to QFC Regulatory Authority, as relevant, shall refer instead to the QFCA.
- 1.3 For the purposes of the CER Rules, “Customer” has the meaning set out in QFC Regulatory Authority Interpretation and Application Rulebook.

2. ADMINISTRATION

For the avoidance of doubt, the responsibilities of the Employment Standards Office and Immigration Office set forth in the QFC Employment Regulations and QFC Immigration Regulations, respectively, to ensure compliance with and enforce the requirements of such Regulations shall be exercised by the Legal Department of the QFCA.

3. INVESTIGATIONS

3.1 POWERS TO OBTAIN DOCUMENTS AND INFORMATION

- 3.1.1 The QFCA may require the production in the QFC or (subject to CER Rule 3.1.2) elsewhere of:
 - (A) specified information or information of a specified description; and/or
 - (B) specified documents or documents of a specified description,
 - (C) within such timetable and in such form and manner as the QFCA may reasonably require.
- 3.1.2 The court, tribunal or other judicial body established under the QFC Law and empowered to hear matters arising under these Rules (hereinafter referred to as the “**Relevant Review Body**”) may on Application by the QFCA order that the QFCA may make a requirement under CER Rule 3.1.1 in respect of a Person outside the QFC (whether in the State or otherwise).

- 3.1.3 The QFCA may enter the premises of Licensed or Authorised Firm in the QFC at any time for the purpose of inspecting and copying information or documents stored in any form in respect of matters within its jurisdiction on such premises.
- 3.1.4 The Licensed or Authorised Firm to which CER Rules 3.1.1 or 3.1.3 relates must give the QFCA all such assistance as the QFCA may reasonably require.

3.2 REPORTS

- 3.2.1 Subject to CER Rule 3.1, the QFCA may, by notice in writing given to a Licensed or Authorised Firm require the production to the QFCA of a report by a person nominated by the QFCA pursuant to CER Rule 3.2.3 ("**Nominated Person**") on any matter relating to the conduct of a Permitted Activity.
- 3.2.2 The QFCA may require any such report to be in such form as may be specified in the notice issued under CER Rule 3.2.1.
- 3.2.3 The Nominated Person appointed to make any report required by CER Rule 3.1.1 must be nominated or approved by the QFCA.
- 3.2.4 Where a report under CER Rule 3 has been required, the Licensed or Authorised Firm to whom a notice has been given must give the Nominated Person all such assistance as that Nominated Person may reasonably require.
- 3.2.5 The obligation in CER Rule 3.1.4 is enforceable on Application by the QFCA to Relevant Review Body.
- 3.2.6 The costs of providing a report under CER Rule 3 shall be borne by the Licensed or Authorised Firm to whom a notice has been given under CER Rule 3.1.1.

3.3 APPOINTMENT OF INVESTIGATORS

- 3.3.1 If it appears to the QFCA that there is a good reason for doing so, the QFCA may appoint one or more competent Investigators, who may be or include employees of the QFCA, to conduct investigations into a suspected contravention of a Relevant Requirement as defined in CER Rule 6.1 and to report to the QFCA accordingly.
- 3.3.2 The QFCA must give written notice of the appointment of an Investigator to all Persons subject to investigation, unless it believes that giving such notice would risk frustrating the

investigation in a material way. Any such notice must specify the purpose of and reason for the investigation.

3.3.3 A Licensed or Authorised Firm under investigation is entitled to legal representation during the course of an investigation under CER Rule 3.3.

3.3.4 The QFCA shall pay the costs and expenses of an investigation save that, where, as a result of an investigation under CER Rule 3.3, the Licensed or Authorised Firm under investigation is found to have contravened a Relevant Requirement, the QFCA or, where appropriate, the Relevant Review Body may order that the Licensed or Authorised Firm must pay the QFCA in respect of the whole or any part of the costs and expenses of the investigation.

3.4 INVESTIGATIONS – DUTIES AND POWERS

3.4.1 An Investigator appointed under CER Rule 3.3 must, unless the investigation is discontinued for any reason, make a written report of his investigation to the QFCA.

3.4.2 In support of an investigation, the QFCA may require, by written notice, any Licensed or Authorised Firm, including any officer, employee or agent of such Firm (hereinafter "**Relevant Person**"):

(A) to attend before the Investigator at a specified time and place and to answer questions;

(B) to produce at a specified time and place any specified document or documents of a specified description; and/or

(C) to provide such information or assistance as the Investigator may require and the Relevant Person is able to give.

3.4.3 The QFCA may require the Relevant Person to give such information or produce such documents within such reasonable time period and/or at such a specified place as detailed in the written notice given under CER Rule 3.4.2.

3.4.4 A Relevant Person providing information or documentation to the QFCA whether pursuant to a Relevant Requirement or voluntarily, will not be subject to any liability, nor any breach of duty by virtue of having done so provided that the Person has acted in good faith and in the reasonable belief that the information or documentation is relevant to any of the functions of the QFCA under the Relevant Requirement.

3.4.5 Where the QFCA is conducting an investigation under CER Rule 3.3 or 3.4 and has reasonable grounds for believing that an individual conducting a Registered Function may have engaged in conduct that would form grounds for the withdrawal or variation of that individual's status, it may, upon written notice to both the individual and the relevant Licensed or Authorised Firm, suspend or vary that individual's approved status for the duration of the investigation and/or and related proceedings insofar as such investigation or proceedings relate to that individual.

3.4.6 Where the QFCA is conducting an investigation into a Licensed or Authorised Firm under CER Rule 3.3 it may apply to the Relevant Review Body for an order that all or any of the assets, books and records of such Firm be preserved and not moved or otherwise dealt with.

3.5 ADMISSIBILITY

A statement made, information given or documents produced in compliance with a request under this Part shall be admissible in evidence in any proceedings before the Relevant Review Body, provided it also complies with any requirements governing the admissibility of evidence in the relevant proceedings.

3.6 THE ROLE OF THE RELEVANT REVIEW BODY IN INVESTIGATIONS

3.6.1 The QFCA may apply to the Relevant Review Body to assist in the enforcement of the QFCA's powers in this CER Rule 5.

3.6.2 The Relevant Review Body shall provide such assistance as it considers appropriate in the circumstances and in accordance with its powers, including the imposition of financial penalties for contraventions in accordance with relevant QFC Regulations and these CER Rules and the issue of search orders and orders for the seizure of documents and/or information.

3.7 SELF INCRIMINATION

3.7.1 Subject to CER Rule 3.8, it is not a reasonable excuse for a Licensed or Authorised Firm to refuse or fail to:

(A) permit the inspection or copying of any information or document;

(B) produce, or disclose, or procure the production or disclosure of, any information or document; or

(C) answer questions;

pursuant to any requirement under these CER Rules, on the grounds that any such information or document or answer, as the case may be, might tend to incriminate the Relevant Person or make such Person liable to a financial penalty.

3.8 PROTECTED ITEMS

3.8.1 A Relevant Person may not be required under these CER Rules to produce disclose or permit the inspection of Protected Items.

3.8.2 A communication or item is not a Protected Item if it is held with the intention of furthering a criminal purpose.

3.9 OBSTRUCTION OF THE QFCA

A Relevant Person shall not engage in conduct, including:

(A) the destruction of documents;

(B) the failure to give or produce information or documents specified by the QFCA;

(C) the failure to attend before the QFCA at a specified time and place to answer questions;

(D) the giving of information that is false or misleading; and

(E) the failure to give any assistance in relation to an investigation which the Relevant Person is able to give,

that is intended to obstruct the QFCA in the exercise of its powers under the Relevant Requirement. The intention to obstruct need not be the sole purpose, it is sufficient if the dominant purpose was the intention to obstruct.

4. DISCIPLINARY POWERS

4.1 PUBLIC CENSURE

If the QFCA considers that a Licensed or Authorised Firm has contravened a Relevant Requirement the QFCA may publish a statement to that effect.

4.2 FINANCIAL PENALTIES

4.2.1 If the QFCA considers that a Licensed or Authorised Firm has contravened a Relevant Requirement, it may impose on it a

financial penalty, in respect of the contravention, of such amount as it considers appropriate.

- 4.2.2 The QFCA may not in respect of any contravention impose a financial penalty under this CER Rule 4.2 in respect of any matter for which the Licensed or Authorised Firm has already been sanctioned by the Relevant Review Body.
- 4.2.3 A penalty under these CER Rules is payable to the QFCA unless the QFCA determines otherwise.
- 4.2.4 Any penalty that is not paid within the period stipulated by the QFCA may on application to the Relevant Review Body be recovered by the QFCA as a debt.
- 4.2.5 The QFCA may publish a statement describing the contravention to which this CER Rule relates and the amount of any financial penalty imposed.

4.3 APPOINTMENT OF MANAGERS

- 4.3.1 The QFCA may by written notice require a Licensed or Authorised Firm to appoint one or more individuals to act as managers of the business of such Firm on such terms as the QFCA may specify in any such notice.
- 4.3.2 The individual or individuals appointed to act as managers of the business of the Person under CER Rule 4.3.1 must be nominated or approved by the QFCA.

4.4 UNDERTAKINGS

- 4.4.1 The QFCA may by written notice require a Licensed or Authorised Firm to give the QFCA a legally enforceable undertaking in such terms as the QFCA shall specify in any such notice. Such terms may include an undertaking by the Person to refrain from engaging in any particular type of conduct.
- 4.4.2 The Licensed or Authorised Firm may withdraw or vary the undertaking at any time, but only with the consent of the QFCA.
- 4.4.3 If the QFCA is satisfied that the Licensed or Authorised Firm who gave the undertaking has been in breach of any of its terms, it may apply to the Relevant Review Body for an order directing such Firm to comply with the relevant terms of the undertaking or any other order that the Relevant Review Body considers appropriate.

4.5 PROHIBITIONS AND RESTRICTIONS

The QFCA may by written notice:

4.5.1 prohibit a Licensed or Authorised Firm from:

- (A) entering into certain specified transactions or types of transaction;
- (B) soliciting business from certain specified Persons or types of Person; or
- (C) carrying on business in a specified manner or other than in a specified manner;

4.5.2 require a Licensed or Authorised Firm to carry on business or conduct itself in a specified manner; or

4.5.3 prohibit a Licensed or Authorised Firm or Relevant Person from performing a specified function, any function falling within a specified description or any function.

4.6 INJUNCTIONS

4.6.1 If the QFCA is satisfied that a Licensed or Authorised Firm:

- (A) will contravene a Relevant Requirement; or
- (B) has contravened a Relevant Requirement and there is a reasonable likelihood that the contravention will continue or be repeated,

the QFCA may apply to the Relevant Review Body for an order restraining such contravention.

4.6.2 If the QFCA is satisfied that:

- (A) a Licensed or Authorised Firm has contravened a Relevant Requirement; and
- (B) there are steps which could be taken to remedy the contravention,

the QFCA may apply to the Relevant Review Body for an order requiring such Firm to take such steps as it may direct to remedy the contravention.

4.6.3 the QFCA is satisfied that a Licensed or Authorised Firm may have:

(A) contravened a Relevant Requirement; or

(B) been knowingly concerned in the contravention of a Relevant Requirement,

the QFCA may apply to the Relevant Review Body for an order restraining the Person from disposing of, or otherwise dealing with, any of its assets.

4.7 RESTITUTION ORDERS

If the QFCA is satisfied that a Licensed or Authorised Firm has contravened a Relevant Requirement, or been knowingly concerned in the contravention of a Relevant Requirement, and:

(A) profits have accrued to him as a result of the contravention; or

(B) one or more Persons have suffered loss or been otherwise adversely affected as a result of the contravention,

then the QFCA may apply to the Relevant Review Body for an order requiring the Person concerned to pay to the appropriate Person or distribute among the appropriate Persons such amount as appears to the QFCA to be just, having regard to the profits appearing to the QFCA to have accrued and/or to the extent of the loss or other adverse effect suffered.

4.8 CIVIL PROCEEDINGS

The QFCA may make Rules giving Persons generally or particular categories of Persons who have suffered loss or damage as a result of the contravention by a Licensed or Authorised Firm of a Relevant Requirement the right to apply to the Relevant Review Body for a restitution order or any other awards permissible under the Relevant Requirement against such Firm.

4.9 APPEALS

If the QFCA exercises any of its disciplinary powers under this CER Rule 4, the Person concerned may, within twenty eight (28) days of receipt of a Decision Notice in accordance with CER Rule 5.2, or such longer period as may be advised by the QFCA in such notice, refer the matter to the Relevant Review Body.

4.10 POWER OF QFCA TO INTERVENE IN ANY PROCEEDINGS

4.10.1 The QFCA may intervene as a party in any proceedings before the Relevant Review Body where it considers such intervention appropriate.

4.10.2 Where the QFCA so intervenes it shall, subject to any other law, have all the rights, duties and liabilities of such a party in such proceedings.

4.11 EFFECT OF PROVISIONS

For the avoidance of doubt, nothing in any Rule in this Part limits the generality of any other Rule in this Part, or the generality of any provision in the QFC Law or any Regulations or Rules issued thereunder.

4.12 PROCEDURAL IRREGULARITIES

4.12.1 A procedure under these CER Rules or any Related Regulations is not invalidated because of any procedural irregularity unless the Relevant Review Body declares the procedure to be invalid.

4.12.2 For the purposes of this CER Rules:

(A) procedure includes the making of a decision, the conduct of a hearing, the giving of a notice, and any proceedings (legal or otherwise); and

(B) procedural irregularity includes a reference to a defect, irregularity or deficiency of notice or time.

5. ENFORCEMENT PROCEDURE

5.1 RIGHT TO MAKE WRITTEN REPRESENTATIONS

5.1.1 Subject to CER Rule 5.1.3, if the QFCA proposes to exercise its disciplinary powers under these CER Rules in relation to a Licensed or Authorised Firm, it must first give that Firm:

(A) a written notice specifying the action which the QFCA proposes to take; and

(B) an opportunity to make written representations to the QFCA in relation to the proposed action to be taken.

5.1.2 The QFCA may specify in any such notice the manner and time within which any such written representations must be made.

5.1.3 The requirement under CER Rule 5.1.1 shall not apply where the QFCA concludes that any delay likely to arise as a result of the requirement under CER Rule 5.1.1 might be prejudicial to the interests of the Clients or Customers of the relevant Person or the QFC.

5.2 DECISION NOTICES

5.2.1 Subject to CER Rules 5.1 and 5.2, if the QFCA decides to exercise a disciplinary power under this Part in relation to a Licensed or Authorised Firm, it must give such Firm a Decision Notice.

5.2.2 A Decision Notice must:

(A) be in writing;

(B) give the QFCA's reasons for the decision to take the action to which the notice relates;

(C) state whether CER Rule 5.7 (Access to QFCA Material) applies and, if so, describe its effect; and

(D) give an indication of:

(i) any right to have the matter referred to the Relevant Review Body within a reasonable period specified in the notice or as required by this Part; and

(ii) the procedure on such a reference.

5.2.3 In the case of a financial penalty, the Decision Notice must state the amount of the financial penalty and the period within which it is to be paid.

5.3 IMPLEMENTATION OF A DECISION NOTICE

If a Licensed or Authorised Firm who has received a Decision Notice does not refer the matter to the Relevant Review Body within the time period specified in the notice, the QFCA may take the action specified in the Decision Notice.

5.4 DISCONTINUANCE OF PROCEEDINGS

5.4.1 If the QFCA decides not to take the action to which a Decision Notice relates, it must give a notice of discontinuance identifying the proceedings which are being discontinued to the Licensed or Authorised Firm to whom the Decision Notice was given.

5.4.2 If a Licensed or Authorised Firm to whom a Decision Notice is given does refer the matter to the Relevant Review Body, that Firm may apply to the Relevant Review Body to stay the action specified in the Decision Notice pending the outcome of the appeal.

5.5 PUBLISHING INFORMATION

Subject to the QFCA Regulations and any other rights and obligations contained in the QFC Law and these CER Rules on the part of the QFCA relating to the publication of information, neither the QFCA nor any Licensed or Authorised Firm to whom a Decision Notice is given or copied may publish the notice or any details concerning it.

5.6 PUBLICATION OF STATEMENTS

After a statement under CER Rule 4.1 is published, the QFCA must send a copy of it to the Licensed or Authorised Firm.

5.7 ACCESS TO QFCA MATERIAL

5.7.1 If the QFCA gives a Licensed or Authorised Firm a Decision Notice it must allow him access to the material on which it relied in taking the decision which gave rise to the obligation to give the notice.

5.7.2 The QFCA may refuse a Licensed or Authorised Firm access to particular material if, in its opinion, allowing access to the material would not be in the public interest or would not be fair (whether to other parties to whom the material relates or otherwise).

5.7.3 If the QFCA does not allow a Licensed or Authorised Firm access to material, it must give him written notice of:

(A) the refusal; and

(B) the reasons for such refusal.

5.8 PROCEDURE IN RELATION TO DECISION NOTICES

- 5.8.1 The QFCA may issue more particularised Rules relating to the procedure that it proposes to follow in relation to the giving of Decision Notices.
- 5.8.2 Subject to CER Rule 4.12 (Procedural Irregularities), when giving a Decision Notice the QFCA must follow its stated procedure.
- 5.8.3 If the QFCA changes the procedure in a material way, it must publish revised Rules or a revised statement.

5.9 POLICY IN RELATION TO PENALTIES

- 5.9.1 The QFCA must prepare and publish a statement of its policy with respect to:
 - (A) the imposition of financial penalties under CER Rule 4.2; and
 - (B) the amount of penalties under CER Rule 4.2.
- 5.9.2 The QFCA's policy in determining the amount of a financial penalty must include a requirement to have regard to:
 - (A) the seriousness of the contravention in question in relation to the nature of the requirement contravened;
 - (B) the extent to which that contravention was deliberate or reckless;
 - (C) whether the Person on whom the penalty is to be imposed is an individual; and
 - (D) the effect on third parties, Clients or Customers and the best interests of the Financial System and the QFC.
- 5.9.3 The QFCA may at any time alter or replace a statement issued under this CER Rule.
- 5.9.4 If a statement published under this CER Rule is altered or replaced, the QFCA must publish the altered or replacement statement.

6. CONTRAVENTIONS

6.1 CONTRAVENTION OF RELEVANT REQUIREMENTS

6.1.1 For the purposes of these CER Rules a Licensed or Authorised Firm contravenes a Relevant Requirement if it:

- (A) fails to comply with any prohibition or requirement imposed on it by the QFCA or any undertaking given by him to the QFCA;
- (B) does any act or thing that is prohibited under or breaches a Relevant Requirement;
- (C) omits to do any act or thing that it is required to do under a Relevant Requirement;
- (D) commits an act of fraud or abuses any fiduciary duty which it owes to its Clients or Customers; or
- (E) otherwise commits any contravention described as such in these CER Rules.

6.1.2 Without prejudice to the generality of CER Rule 6.1.1(B), for the purposes of these CER Rules a Licensed or Authorised Firm contravenes a Relevant Requirement if it:

- (A) knowingly or recklessly provides to the QFCA any information which is false, misleading or deceptive, or conceals information where the concealment of such information is likely to mislead or deceive the QFCA;
- (B) conducts Permitted Activities in or from the QFC in breach of Article 11.2 of the QFC Law; or
- (C) knows or suspects that QFCA action under these CER Rules is being or is likely to be conducted and:
 - (i) falsifies, conceals, destroys or otherwise disposes of a document which it knows or suspects is or would be relevant to such action; or
 - (ii) causes or permits the falsification, concealment, destruction or disposal of such a document,

unless it shows that it had no intention of concealing facts disclosed by the documents from the QFCA or any Nominated Person preparing a report.

6.2 INVOLVEMENT IN CONTRAVENTIONS

- 6.2.1 If a Licensed or Authorised Firm is knowingly concerned in the contravention of a Relevant Requirement by another Person, that Firm also commits a contravention of a Relevant Requirement.
- 6.2.2 If an officer of a body corporate is knowingly concerned in the contravention of a Relevant Requirement committed by a body corporate, the officer also commits a contravention of a Relevant Requirement.
- 6.2.3 If the affairs of a body corporate are managed by its members, CER Rule 6.2.2 applies in relation to the acts and defaults of a member in connection with his functions of management as if he were a director of the body corporate.
- 6.2.4 If a partner (or a Person purporting to act as a partner) is knowingly concerned in a contravention of a Relevant Requirement committed by a partnership in which he is a partner or by all or some of its constituent partners, he also commits a contravention of a Relevant Requirement.
- 6.2.5 If an officer of an unincorporated association (other than a partnership) or a member of its governing body is knowingly concerned in a contravention of a Relevant Requirement committed by the association, that officer or member also commits a contravention of a Relevant Requirement.
- 6.2.6 For the purposes of CER Rule 6.2, officer means a director, member of a committee of management, chief executive, manager, secretary or other similar officer of the body corporate or association.
- 6.2.7 For the purposes of CER Rule 6.2, a Person is knowingly concerned in a contravention of a Relevant Requirement if, and only if, that Person:
- (A) has aided, abetted, counselled, or procured the contravention;
 - (B) has induced, whether by threats or promises or otherwise, the contravention;
 - (C) has in any way, by act or omission, directly or indirectly, been knowingly involved in or been party to, the contravention; or
 - (D) has conspired with another or others to commit the contravention.

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

QFCA Rules 2007

Issued 15 May 2007
Commenced 15 May 2007
Version No. 1

as amended by

QFCA Rules (Miscellaneous Amendments) Rules 2011

Made 3 October 2011
Commenced 3 October 2011
Version No. 2

3 Amendment history

General Rules

r3	am 2011-01
r11.4.1(B)	am 2011-01
r11.4.1(B)	am 2011-01
r12.2	am 2011-01
r14.2.3	am 2011-01

Licensed Firm Assets Rules (LFAR)

r4.4.1	am 2011-01
r4.9.2	am 2011-01
r5.3	am 2011-01

QFCA Rules (Miscellaneous Amendments) Rules 2014

Made 23 September 2014
Commenced 23 September 2014
Version No. 3

Amendment history

pt1 Application, Interpretation and Definitions

r1	am 2014-02
r3	am 2014-02

pt2 General Rules

r2	am 2014-02
r2.1	am 2014-02
r2.3	am 2014-02
r3.3	am 2014-02
r3.3.1	am 2014-02
r3.3.2	ins 2014-02
r3.3.3	ins 2014-02
r3.3.4	ins 2014-02
r3.3.5	ins 2014-02
r3.3.6	ins 2014-02
r4.1	am 2014-02
r4.2(A)	am 2014-02
r4.2(B)	am 2014-02
r4.2(A)	am 2014-02
r4.2(B)	am 2014-02
r4.2.3	am 2014-02
r4.3.2	am 2014-02
r5.2.1(A)(i)	am 2014-02
r5.2.1(A)(ii)	am 2014-02
r5.2.1(B)	am 2014-02
r5.2.1(C)(i)	am 2014-02
r5.2.1(C)(ii)	am 2014-02
r5.2.2	am 2014-02

r6.3.3	am 2014-02
r6.3.4(B)(i)	am 2014-02
r7.2.3	am 2014-02
r8.1.1(A)	am 2014-02
r8.1.1(B)	am 2014-02
r8.2.1	am 2014-02
r8.2.1(1)	ins 2014-02
r8.2.1(2)	ins 2014-02
r8.2.2	am 2014-02
r8.4.5	am 2014-02
r8.5.1	am 2014-02
r8.6	om 2014-02
r9.1	am 2014-02
r10.1	am 2014-02
r11.1	am 2014-02
r11.2	ins 2014-02
r11.3	am 2014-02
r11.3.1(B)	am 2014-02
r11.3.2	ins 2014-02
r11.3.3	ins 2014-02
r11.4	am 2014-02
r11.4.1	am 2014-02
r11.4.2	am 2014-02
r12.1	am 2014-02
r12.2.1	am 2014-02
r12.2.3	am 2014-02
r12.3	ins 2014-02
r13.1	am 2014-02
r14.1	am 2014-02
r15.1	am 2014-02
r16.1	am 2014-02
r16.2.1	am 2014-02
r16.2.2(C)	am 2014-02
r16.2.4	am 2014-02
r16.3	am 2014-02
r16.3.3	am 2014-02
r16.4.1	am 2014-02
r16.4.2	am 2014-02
r16.4.3	am 2014-02
r16.4.5	am 2014-02
r16.4.6	am 2014-02

r16.5.1 am 2014-02
r16.5.2 am 2014-02
r16.5.3 am 2014-02
r16.6 am 2014-02

sch2 am 2014-02
sch4 am 2014-02
sch5 am 2014-02

pt3 Conduct of Business Rules

r1.2 am 2014-02

pt4 Licensed Firm Assets Rules (LFAR)

r1 am 2014-02

pt5 Compliance and Enforcement Rules

r6.2.3 am 2014-02
r6.2.6 am 2014-02