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REGULATORY AUTHORITY

# Customer and Investor Protection Rules 2019 (CIPR)

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Amendments Rules 2021 (QFCRA Rules 2021-1)





# Customer and Investor Protection Rules 2019

made under the

*Financial Services Regulations*

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## **Chapter 1            General**

### **Part 1.1            Preliminary**

#### **1.1.1            Name of rules**

These rules are the *Customer and Investor Protection Rules 2019* (or CIPR).

#### **1.1.2            Commencement**

These rules commence on 1 January 2020.

#### **1.1.3            Purpose of these rules**

These rules set out the framework for regulating the conduct of authorised firms in their dealings with their customers.

#### **1.1.4            Effect of definitions, notes and examples**

- (1) A definition in the glossary to these rules also applies to any instructions or document made under these rules.
- (2) A note in or to these rules is explanatory and is not part of these rules. However, examples and guidance are part of these rules.
- (3) An example is not exhaustive, and may extend, but does not limit, the meaning of these rules or the particular provision of these rules to which it relates.

*Note*        Under FSR, article 17 (4), guidance is indicative of the view of the Regulatory Authority at the time and in the circumstances in which it was given.

#### **1.1.5            References to particular currencies**

In these rules, the specification of an amount of money in a particular currency is also taken to specify the equivalent sum in any other currency at the relevant time.

## Part 1.2                      Basic concepts

### 1.2.1      **Who is a *customer* of an authorised firm?**

- (1) A customer of an authorised firm is a person to whom the firm provides, has provided, or offers to provide, a service that is a regulated activity, or a person who asks the firm to provide such a service. A customer may be:
  - (a) a retail customer;
  - (b) a business customer; or
  - (c) an eligible counterparty.
- (2) The categories *retail customer*, *business customer* and *eligible counterparty* are mutually exclusive. To avoid any doubt, a customer of an authorised firm that is an eligible counterparty (see rule 1.2.10) is not a business customer of the firm even if the customer would otherwise qualify as a business customer under any of rules 1.2.3 to 1.2.7.

### 1.2.2      **Who is a *retail customer* of an authorised firm?**

A *retail customer* of an authorised firm is a customer of the firm who is neither a business customer nor an eligible counterparty.

### 1.2.3      **Business customers—bodies corporate with certain levels of assets or turnover**

A customer of an authorised firm is a *business customer* if the customer is any of the following:

- (a) a body corporate that has (or, at any time during the previous 2 years, has had) either:
  - (i) called-up share capital, or net assets, of QR 18 million or more; or
  - (ii) annual net turnover of QR 30 million or more;

- (b) a body corporate that has a holding company or subsidiary that has (or, at any time during the previous 2 years, has had) either:
  - (i) called-up share capital, or net assets, of at least QR 18 million; or
  - (ii) annual net turnover of QR 30 million or more;
- (c) a partnership or unincorporated association that has (or, at any time during the previous 2 years, has had) either:
  - (i) net assets of QR 18 million or more (calculated, in the case of a limited partnership, without deducting loans owing to any of the partners); or
  - (ii) annual net turnover of QR 30 million or more.

#### 1.2.4 **Business customers—bodies corporate—credit arrangement business**

A customer of an authorised firm is a *business customer* if all of the following are true:

- (a) the customer is a body corporate that has (or, at any time during the previous 2 years, has had) net assets of QR 10 million or more;
- (b) the regulated activities that the firm will undertake for the customer are limited to arranging credit facilities or providing credit facilities (or both);
- (c) any credit facility provided or arranged has no embedded derivative or other attached hedging instrument;

**Example**

An interest rate hedging product

- (d) any credit facility provided or arranged is for use only in the business activities of 1 or more of the following:
  - (i) the customer;
  - (ii) another body corporate that is a member of the same group as the customer;

- (iii) a joint venture to which the customer or a body corporate referred to in subparagraph (ii) is a party.

**1.2.5      Business customers—collective investment schemes**

A customer of an authorised firm is a *business customer* if the customer is a collective investment scheme.

**1.2.6      Business customers—trustees**

A customer of an authorised firm is a *business customer* if the customer is a trustee of a trust that has (or, at any time during the previous 2 years, has had) assets of QR 18 million or more (calculated as the total value of the cash and investments that form part of the trust's assets, without deducting its liabilities).

**1.2.7      Business customers in relation to insurance business**

A customer of an authorised firm is a *business customer* if:

- (a) the relevant business is either or both of insurance business and insurance mediation business (in either case, in relation to non-investment insurance contracts); and
- (b) the customer is:
  - (i) a person other than an individual; or
  - (ii) an individual who is acting for the purposes of the individual's trade, business or profession.

**1.2.8      Business customers—customers opted-up under rule 3.3.2**

A customer of an authorised firm is a *business customer* if the firm classifies the customer as a business customer under rule 3.3.2. However, if the firm classifies the customer as a business customer only in relation to 1 or more particular regulated activities and specified products, the customer is a business customer of the firm only in relation to that or those activities and products.

### 1.2.9 Business customers—customers opted-up under COND

- (1) A customer of an authorised firm is a *business customer* if the firm classified the customer as a business customer under COND, rule 2.3.2, and has not revoked the classification. If the customer was classified as a business customer only in relation to 1 or more particular regulated activities and specified products, the customer remains a business customer of the firm only in relation to that or those activities and products.

#### Guidance

COND was repealed on 1 January 2020. A customer who was a commercial customer under COND remains a business customer under these rules because the qualification is the same (see rule 1.2.7 of these rules and COND, rule 1.2.4). A retail customer in relation to certain types of business could not be opted-up as a commercial customer under COND, and a retail customer in relation to those types of business also cannot be opted-up as a business customer under these rules—see rule 3.3.2(2).

- (2) However, if the customer was classified as a business customer in reliance on a statement of the customer's net assets (referred to in COND rule 2.3.2A (2)), the firm must obtain confirmation of the statement from the customer periodically (at least annually).

### 1.2.10 Who is an *eligible counterparty* of an authorised firm?

- (1) Each of the following, if a customer of an authorised firm, is an *eligible counterparty*:
  - (a) an authorised firm;
  - (b) a regulated financial institution;
  - (c) an eligible clearing house or eligible exchange;
  - (d) a government, government agency, or central bank or other national monetary authority, of any jurisdiction;
  - (e) a state investment body, or a body charged with, or intervening in, the management of the public debt;
  - (f) a supranational organisation, the members of which are jurisdictions, central banks or national monetary authorities.

(2) In subrule (1) (c):

*eligible clearing house* means a clearing house that meets the following requirements:

- (a) transactions on a regulated exchange may be cleared through it;  
*Note* For *regulated exchange*, see the glossary.
- (b) it is incorporated or otherwise established in a jurisdiction outside the QFC;
- (c) the Regulatory Authority has not, by notice published on an approved website, declared that this definition does not apply to the jurisdiction.

*eligible exchange* means a regulated exchange for which the Regulatory Authority has not, by notice published on an approved website, declared that this definition does not apply to the jurisdiction in which the exchange is incorporated or established.

#### **1.2.11 When is an agent a customer of an authorised firm?**

- (1) This rule applies if an authorised firm provides, or offers to provide, a service to a person (the *agent*) that the firm knows is acting as agent for another person (the *principal*), and the service is a regulated activity.
- (2) The firm must treat the principal as the firm's customer in relation to that service, unless the agent is another authorised firm or a regulated financial institution.



## Chapter 2 Principles of fair treatment of customers

### 2.1.1 Application of Chapter 2

This Chapter applies to every authorised firm in all its dealings with its customers, including its dealings with eligible counterparties.

### 2.1.2 The principles

An authorised firm must ensure that in all its dealings with its customers:

- (a) it acts honestly, fairly, independently and professionally in the best interests of its customers, and in the interests of the integrity of the market;
- (b) it acts with due skill, care and diligence in the best interests of its customers;
- (c) it does not recklessly, negligently or intentionally mislead a customer about the real or perceived advantages or disadvantages of a product or service;
- (d) it has the resources, policies and procedures, systems and controls (including compliance checks) and employee training necessary for compliance with these rules and all other Rules, and makes effective use of those resources, policies, procedures, systems and checks;
- (e) it seeks, from each customer, information about the customer that is appropriate to the product or service that the customer wants, and ensures that the product or service is suitable for the customer having regard to that information;
- (f) it fully discloses to each customer all the significant information about the product or service that the customer wants (in

particular, all fees and charges), in plain English, and in a way that seeks to inform the customer;

**Guidance**

An authorised firm must ensure that all costs (whether described as fees, commissions or charges, or in any other way, and however applied) are fully disclosed to its customers.

- (g) it seeks to avoid conflicts of interest;
- (h) it keeps each customer's information confidential;
- (i) it corrects errors, and deals with complaints, speedily, efficiently and fairly;
- (j) it does not exert undue pressure or undue influence on a customer;
- (k) it ensures that if it outsources an activity, these rules are still complied with.

**2.1.3 Consequences for employees who fail to comply**

An authorised firm must take measures to ensure that there are performance management consequences for any employee who fails to comply with the policies, procedures, systems and controls required by rule 2.1.2 (d).

## **Chapter 3                    General obligations of all authorised firms**

### **Part 3.1                    Preliminary**

#### **3.1.1                    Application of Chapter 3**

This Chapter applies to an authorised firm in its dealings with customers (other than eligible counterparties).

### **Part 3.2                    Applying principles of fair treatment of customers**

#### **3.2.1                    Fair treatment of customers in practice**

- (1) An authorised firm must ensure that fair dealing with its customers is an objective that is taken into account in its business strategy, product design and product performance.
- (2) The firm's governing body is responsible for ensuring that the firm's customers are treated fairly. The firm's governing body must design and implement policies, procedures and systems and controls aimed at ensuring that customers are treated fairly, and must monitor the firm's adherence to those policies, procedures and systems and controls.

#### **3.2.2                    Systems and controls generally**

- (1) An authorised firm must have the necessary systems and controls, in relation to every aspect of its operations, to ensure that the firm fully complies with these rules at all times.

- (2) The systems and controls must be documented, and must be reviewed periodically (at least annually) to ensure that they are fit for their purpose.

**Guidance**

The Regulatory Authority expects that the review would be carried out by an individual or individuals of appropriate seniority and authority in the firm—for example, an individual exercising the senior management function (as described in CTRL, rule 1.2.10) for the firm.

- (3) The outcome of each review of the systems and controls must be reported in a durable medium to the firm’s governing body.

## **Part 3.3 Customer classification**

### **3.3.1 Customer classification—general obligation**

- (1) Before conducting business with or for a customer, an authorised firm must take reasonable steps to establish whether the customer is:
  - (a) a retail customer;
  - (b) a business customer; or
  - (c) an eligible counterparty;and must then classify the customer accordingly.
- (2) If the firm cannot be sure whether a particular customer is a retail customer or a business customer, the firm must classify the customer as a retail customer.
- (3) An individual who is a customer in relation to a contract of insurance that would cover the customer in both a private and a business capacity must be classified as a retail customer.

### **3.3.2 Customer classification—opting-up**

- (1) If a customer of an authorised firm would, apart from this rule, be classified as a retail customer, the firm may classify the customer as a business customer in accordance with this rule. The firm may do so in relation to all regulated activities and specified products or only in relation to 1 or more particular regulated activities and specified products.
- (2) However, in the case of a customer who is not a business customer under rule 1.2.7, the firm must not classify the customer as a business customer in relation to regulated activities referred to in rule 1.2.7 (a).
- (3) The firm must not classify a customer as a business customer unless:
  - (a) the customer has asked to be classified as a business customer;
  - (b) after a determination in accordance with rule 3.3.3, the firm is satisfied that the customer has at least QR 4 million in net assets

(excluding the value of his or her primary family residence, but including assets in which he or she has a beneficial interest); and

- (c) after an assessment in accordance with rule 3.3.4, the firm is satisfied that the customer has sufficient knowledge, experience and understanding of the relevant financial markets, products and transactions and their associated risks to justify the firm's dealing with him or her without the benefit of the retail protections.

### **3.3.3 Determination of customers' net assets**

- (1) When an authorised firm is considering whether to classify a customer as a business customer, the firm must make reasonable efforts to obtain evidence showing that the customer meets the minimum asset requirement in rule 3.3.2 (3) (b).
- (2) If the firm cannot obtain such evidence despite making reasonable efforts to do so, the firm may rely on a signed statement by the customer confirming that the value of his or her net assets meets that requirement.
- (3) The statement must be in a form prepared by the firm. The form must include the following warning:  
*If you misrepresent your financial position in this statement, you might receive unsuitable advice or buy a financial service or product that is not in your best interests.*
- (4) The warning must be prominent and must be as close as practicable to the place for the customer's signature.
- (5) The form must also include the explanation required by rule 3.3.5 (a).
- (6) If there are reasonable grounds to doubt the accuracy of the statement, the firm must not classify the customer as a business customer.
- (7) The firm must obtain confirmation of the statement from the customer periodically (at least annually).

### **3.3.4 Assessing customers' relevant knowledge, experience and understanding**

- (1) In deciding whether a customer has sufficient knowledge, experience and understanding of relevant financial markets, products and transactions and the associated risks, an authorised firm must consider all of the following:
  - (a) the customer's knowledge and understanding of those markets, products and transactions and their associated risks;
  - (b) whether the customer has been active in those markets, products and transactions (and if so for how long);
  - (c) the frequency of his or her dealings in those markets, products and transactions, and the extent to which he or she has relied on the firm's advice in those dealings;
  - (d) whether the customer is employed in a professional capacity, or is otherwise professionally involved, in relation to those markets, products and transactions, and if so for how long;
  - (e) the size and nature of transactions that have been undertaken by or for the customer in those markets;
  - (f) whether the customer will rely on the independent advice or judgment of another authorised firm or regulated financial institution in relation to the relevant regulated activities.
- (2) The firm must document the assessment and must retain evidence of it.

### **3.3.5 Agreement required before opting-up customer**

An authorised firm must not classify a customer as a business customer unless:

- (a) the firm has given the customer an explanation, in a durable medium, of:
  - (i) the basis on which the firm proposes to classify the customer as a business customer; and

- (ii) the protections provided by the regulatory system in the QFC for retail customers that the customer will lose if classified as a business customer;

**Guidance**

The explanation should be simple and consumer-friendly. A short summary of the protections that the customer will lose as a business customer would suffice.

- (b) the firm has allowed the customer a reasonable period to consider the implications of being classified as a business customer; and
- (c) the customer has agreed, in a durable medium, to being classified as a business customer.

**3.3.6 Customer classification—systems and controls**

- (1) An authorised firm’s systems and controls must include appropriate checks to verify that a customer classification is appropriate.
- (2) The systems and controls must provide for such a classification to be reviewed regularly (at least annually) if the firm continues to conduct business for the customer.



## **Part 3.4**

# **Authorised firms' reliance on others and exclusion or restriction of liability**

### **3.4.1 Reliance on information provided by others**

- (1) If an authorised firm relies on information that was provided to it by another person, the firm is taken to comply with a provision of these rules that requires it to obtain information if the firm can show that it is reasonable for it to rely on the information.
- (2) For subrule (1), it is reasonable for the firm to rely on the information if:
  - (a) the other person provided the information in a durable medium;
  - (b) the firm believes on reasonable grounds that the person who provided the information was competent to provide it; and
  - (c) the firm is not aware, and it is reasonable for the firm not to be aware, of anything that would give it reasonable grounds to question the accuracy of the information.

### **3.4.2 Reliance on others to give information to customers**

If a provision of these rules requires an authorised firm to give information to a customer, the firm must give the information directly to the customer and not to another person, unless it has an instruction, in a durable medium, from the customer requiring or allowing it to give the information to the other person.

### **3.4.3 Exclusion or restriction of liability**

- (1) An authorised firm must not seek to exclude or restrict, or rely on any exclusion or restriction of, any duty or liability to a customer that arises under the regulatory system in the QFC.
- (2) An authorised firm must not seek to exclude or restrict, or rely on any exclusion or restriction of, any duty or liability to a retail customer that arises under a law applying in the QFC (otherwise than under the

regulatory system in the QFC) unless it is reasonable for the firm to do so.

## **Part 3.5 Dealing with conflicts, material interests and inducements**

### **3.5.1 Meaning of *material interest***

In these rules:

*material interest*, in relation to a transaction, means any interest of a significant or substantial nature in the transaction other than disclosable commission.

#### **Guidance**

Part 3.5 of these rules should be read in conjunction with CTRL, rule 3.1.18.

### **3.5.2 Conflicts of interest and material interests—policy**

- (1) An authorised firm must have, and must operate in accordance with, a policy on conflicts of interest and material interests. The policy must be appropriate to the nature, scale and complexity of the firm's regulated activities.
- (2) The policy must have been approved by the firm's governing body and must be recorded in a durable medium. The policy:
  - (a) must identify, with reference to the regulated activities carried out by or on behalf of the firm, the circumstances that constitute or may give rise to conflicts of interest or material interests that create a risk of damage to its customers' interests; and
  - (b) must set out systems and controls to manage actual and potential conflicts of interest and material interests.

#### **Guidance**

An authorised firm should also consider whether there are circumstances in relation to licensed but unregulated activities that might give rise to conflicts of interest in carrying out regulated activities.

- (3) The systems and controls must ensure that the firm's customers are not adversely affected or treated unfairly because of a conflict of interest or material interest.

### **3.5.3 Conflicts of interest and material interests—management**

- (1) If a conflict of interest, or a material interest of the firm in a transaction, cannot reasonably be avoided, the firm must manage it in 1 or more of the following ways:
- (a) establishing and maintaining an effective Chinese wall;
  - (b) requiring employees to disregard conflicts of interest and material interests when advising a customer or exercising a discretion;
  - (c) separately supervising employees whose main functions involve carrying out activities for, or providing services to, customers whose interests may conflict with those of the firm;
  - (d) establishing measures to prevent or limit any person from exercising inappropriate influence over how an employee carries out services or activities;
  - (e) establishing measures to prevent or control the simultaneous or sequential involvement of an employee in separate services or activities if the involvement may impair the proper management of conflicts of interest;
  - (f) taking any other steps that are necessary and appropriate to manage the conflict of interest or material interest.
- (2) If an authorised firm distributes its products to customers through an intermediary, the firm must not make the continuation of its business relationship with the intermediary solely dependent on the introduction of a specified level of business.
- (3) An authorised firm must ensure that the arrangements for remunerating its employees in relation to providing or recommending

products or services to customers do not have the effect of impairing the firm's obligations:

- (a) to act in the best interests of its customers; and
- (b) to satisfy the requirements of these rules in relation to the suitability of products or services for each customer.

**Guidance**

Contracts of employment that provide for commission-only remuneration do not comply with this rule, nor do remuneration arrangements in which a basic salary is offset against commission earned.

**3.5.4 Conflicts of interest and material interests—“decline to act” or “disclose and notify”**

- (1) An authorised firm must decline to act for a customer if it has a conflict of interest or a material interest, and cannot manage it in a way mentioned in rule 3.5.3 (1).
- (2) Before an authorised firm provides or offers to provide a customer with a product or service the provision of which constitutes a regulated activity, the firm:
  - (a) must disclose any conflict of interest or material interest that it knows about;
  - (b) must notify the customer of the steps it has taken to manage the conflict of interest or material interest; and
  - (c) must take reasonable steps to ensure that the customer does not object to the firm's management of the conflict of interest or material interest.
- (3) For subrule (2), a disclosure and notification may be made either in the firm's initial disclosure document or in a separate document.

**3.5.5 Chinese walls**

- (1) An authorised firm must ensure that there are effective Chinese walls between different business areas of the firm in relation to information

that could give rise to a conflict of interest, or that could be open to abuse.

- (2) An authorised firm must ensure it has procedures, recorded in a durable medium, for maintaining the Chinese walls, setting out the consequences of a breach of the procedures. The firm must give a copy of the procedures to every member of the firm's governing body and every relevant employee.

### **3.5.6 Contingent selling and bundling**

- (1) An authorised firm must not make the sale of a product or service to a customer contingent on the purchase of another product or service from the firm.
- (2) Subrule (1) does not prevent the firm offering, to existing customers, additional products or services that are available only to existing customers.
- (3) An authorised firm is prohibited from bundling (that is, packaging 2 or more distinct products, each of which can be purchased separately from or through the firm, into a bundle) unless the firm can show that the bundling results in a cost saving for the customer.

### **3.5.7 Inducements generally**

- (1) An authorised firm must ensure that neither it, nor any of its employees:
  - (a) offers, gives, solicits or accepts any gift or inducement; or
  - (b) directs or refers any actual or potential business to another person on its own initiative or on the instructions of an associate; if doing so is likely to conflict to a significant extent with any duty that the firm owes to its customers.
- (2) An authorised firm's systems and controls must include policies and procedures to ensure that the firm complies with subrule (1).
- (3) An authorised firm must ensure that every member of the firm's governing body, and every employee, is provided with details of the

firm's current policy and procedures about gifts, referrals and inducements.

### **3.5.8 Inducements—packaged investment products**

An authorised firm must not enter into, and must take reasonable steps to ensure that no person acting on its behalf enters into, any of the following arrangements with another person in relation to a packaged investment product:

- (a) volume overrides (that is, the commission paid in relation to several transactions is more than a simple multiple of the commission payable in relation to a single transaction of the same kind);
- (b) an arrangement to pay more commission than the amount disclosed to the customer;
- (c) an agreement to indemnify the payment of commission on terms that would or might give an additional financial benefit to the recipient if the commission became repayable;
- (d) an arrangement to pay commission otherwise than to the authorised firm that was responsible for a sale, unless:
  - (i) that firm has passed on its right to receive the commission to the recipient;
  - (ii) the recipient is another authorised firm that has given advice on investments to the customer concerned after the sale; or
  - (iii) the recipient is another authorised firm and the commission is paid after the sale of the packaged investment product by the first firm in response to a direct offer advertisement communicated by that firm to a customer of the recipient.

### 3.5.9 Inducements—financial assistance by product providers

- (1) This rule applies in relation to an authorised firm that holds itself out as offering investment advice to retail customers in relation to 1 or more kinds of packaged investment product.
- (2) A product provider must not acquire a direct or indirect holding in the capital or voting power of an authorised firm in relation to which this rule applies, or provide credit to such a firm, unless:
  - (a) the product provider and the firm are in the same corporate group;
  - (b) in relation to the provision of credit—the credit provided is for commission owing from the firm to the product provider under an indemnity commission clawback arrangement; or
  - (c) the holding is acquired, or the credit is provided, on objective commercial terms.
- (3) In subrule (2) (c), *objective commercial terms* means terms that are objectively comparable to terms on which a person that is not connected to the product provider would be willing to acquire the holding or provide credit, taking into account all the circumstances.
- (4) For this rule, any holding of, or credit provided by, a product provider's associate is taken to be held by, or provided by, the product provider.

### 3.5.10 Soft commission agreements

- (1) An authorised firm must not enter into a soft commission agreement (that is, an agreement under which an authorised firm receives goods or services, in return for which it agrees to direct business through or in the way of another person) unless the agreement is recorded in a durable medium.
- (2) The following conditions apply to such an agreement:
  - (a) any business transacted under it must not conflict with the best interests of customers;

- (b) if the firm considers that a customer may be affected by the agreement, the customer must be made aware of the agreement and of how it may affect him or her;
- (c) a copy of the agreement must be given to any customer who asks for it;
- (d) goods or services received by the firm under the agreement must be used to provide services to customers;
- (e) if the firm changes its policy on such agreements, the firm must give any affected customer details of the change promptly after the change takes effect.

#### **3.5.11 When may firms advise customers to replace products?**

- (1) An authorised firm must not advise a retail customer to replace an existing insurance product or investment product with a new one unless the firm:
  - (a) demonstrates to the customer that the advice is in the customer's best interests;
  - (b) informs the customer of any additional charges or other expense, cost or financial detriment that the customer will incur from the replacement; and
  - (c) informs the customer of any financial benefit that the firm will derive from the replacement.
- (2) The firm must give the demonstration and information required by subrule (1) to the customer in a durable medium.

#### **3.5.12 Firms' obligations in relation to trail commissions**

- (1) If an authorised firm receives a trail commission arising from a regulated activity, the firm must provide an ongoing service to the customer concerned.
- (2) The firm must have systems and controls to ensure that the service is provided to every relevant customer.



- (3) The firm must document and retain evidence that it has provided the service.
- (4) The firm must not seek or receive additional remuneration for the service.
- (5) The obligations imposed by this rule apply in relation to a trail commission that the firm continues to receive that arose from a service that the firm provided before these rules commenced.

*Note* These rules commenced on 1 January 2020—see rule 1.1.2.

**Guidance**

A *trail commission* is a fee regularly paid to an authorised firm over the lifetime of a financial product such as a long-term insurance policy or a packaged investment product. The ongoing service that an authorised firm provides should be sufficient for the firm to be satisfied that the product or advice that it provided remains suitable for the customer.

## Part 3.6 Personal account transactions

### 3.6.1 Personal account transactions—systems and controls

- (1) This rule applies to transactions by an authorised firm for the account of a relevant person. In this rule, such a transaction is called a *personal account transaction*.
- (2) A member of the firm's governing body is a *relevant person* for this rule. Also, an employee or agent of the firm is a *relevant person* for this rule unless:
  - (a) he or she is not involved to any significant extent in the firm's business and does not have access to information about that business; and
  - (b) the firm has taken reasonable steps to be sure that he or she is not so involved and does not have access to such information.

- (3) An authorised firm must establish and maintain systems and controls to ensure that:
  - (a) if a relevant person enters into a personal account transaction, the transaction does not conflict with the firm's duties to its customers; and
  - (b) if a relevant person enters into such a transaction, the firm is promptly notified (or is otherwise able to identify the transaction) and makes a record of it.
- (4) The systems and controls must ensure that a relevant person who is not permitted under the firm's policies to enter into a personal account transaction does not (except in the proper course of his or her employment or authority) arrange for another person to enter into the transaction, nor communicate an opinion about it to another person, if he or she knows or reasonably ought to know that, as a result, the other person will be likely to enter into the transaction or arrange for another person to do so.
- (5) The systems and controls must include:
  - (a) making relevant persons aware, by notice in a durable medium, of the restrictions on personal account transactions, and any general permissions to enter into such transactions;
  - (b) making compliance with the systems and procedures a term of each relevant person's employment contract, contract for service, or other employment or appointment arrangement;
  - (c) keeping a restricted list of relevant investments about which the firm may have inside information and ensuring that only relevant persons have access to the list;

- (d) ensuring that a relevant person may not enter into personal account transactions in relation to relevant investments on the restricted list unless:
  - (i) the transaction is for the purpose of realising the cash value of a holding or position undertaken to meet an obligation of the person that is not related to the firm's business; and
  - (ii) the firm has given its express permission, in a durable medium, for the transaction.
- (6) In subrule (5):
  - inside information*** means:
    - (a) information that:
      - (i) relates to particular securities, a particular issuer of securities, a particular class of securities or a particular class of issuers;
      - (ii) is specific or precise;
      - (iii) has not been made public;
      - (iv) would be likely, if it were made public, to have a significant effect on the price of any securities; and
      - (v) is obtained from a source closely connected to the issuer of the securities or 1 or more issuers of a class of securities;  
or
    - (b) information that is inside information under rules made under FSR, article 83 (Rules relating to market abuse).

## **Part 3.7 Handling errors**

### **3.7.1 Handling of errors**

- (1) An authorised firm must have procedures, recorded in a durable medium, for effectively handling errors that affect customers. The procedures must provide for at least the following:
  - (a) identifying the cause of an error;
  - (b) identifying all of the affected customers;
  - (c) appropriately analysing the patterns of occurrence of the error, including investigating whether or not it was an isolated error;
  - (d) proper control of the correction process;
  - (e) the escalation of errors to the firm's compliance officer, the firm's risk management officer (if any), and to its senior management.
- (2) An authorised firm must resolve every error speedily and no later than 6 calendar months after the date on which the error was first discovered. The resolution of an error must include:
  - (a) if appropriate, making a refund (with appropriate interest) to all the affected customers, so far as possible;
  - (b) correcting any systems failures;
  - (c) ensuring that effective controls are implemented to prevent the error recurring; and
  - (d) notifying all affected customers, both current and former, in a timely manner, of any error that has negatively affected or may negatively affect the cost of the service, or the value of the product, provided.
- (3) If an error that affects customers has not been fully resolved within 40 business days after the date on which it was first discovered, the firm must inform the Regulatory Authority in a durable medium within 5 business days after the end of the 40-business-day period.

- (4) An authorised firm must maintain a record of every error that affects customers. The record must contain, for each such error:
- (a) details of the error;
  - (b) the date on which it was discovered;
  - (c) an explanation of how it was discovered;
  - (d) the period over which it occurred;
  - (e) the number of customers affected;
  - (f) the amount of money involved;
  - (g) whether the error has been resolved or not;
  - (h) the date on which the error was resolved;
  - (i) the number of customers to whom a refund was paid; and
  - (j) the total amount refunded.
- (5) An authorised firm must maintain a record of all of the steps taken to resolve an error that affects 1 or more customers. The record must include details of the steps taken:
- (a) where any affected customer was dissatisfied with the outcome;
  - (b) where there were difficulties contacting affected customers; and
  - (c) where a refund could not be paid.

## **Part 3.8 Handling complaints and related matters**

### **3.8.1 Who can make a complaint?**

- (1) In these rules:  
*complaint* means an expression of grievance or dissatisfaction, by a customer (other than an eligible counterparty), or one of the other persons mentioned in subrule (2), either orally or in a durable medium, in connection with an authorised firm's provision (or offer of the provision) of a product or service, if the provision of the product or service was or would be a regulated activity.
- (2) The other persons who may make a complaint to an authorised firm are the following:
  - (a) an individual who is or was a beneficiary under a group policy issued by the firm;
  - (b) an individual who is a surviving dependent of a deceased retail customer of the firm;
  - (c) a legal personal representative of a deceased retail customer of the firm;
  - (d) a widow or widower of a deceased retail customer of the firm;
  - (e) an individual who is entitled to benefit from an insurance contract issued to a retail customer of the firm.

### **3.8.2 Firms' internal complaints-handling procedures**

- (1) An authorised firm must establish and operate appropriate and effective internal procedures, recorded in a durable medium, for handling complaints, to ensure that complaints, however made, in relation to its conduct of regulated activities are dealt with fairly, efficiently, and with due diligence and consideration.
- (2) The procedures must provide for all of the following:
  - (a) receiving complaints;

- (b) responding to complaints;
  - (c) meeting any applicable service standards in relation to complaints received (see rule 3.8.5);
  - (d) referring complaints to other authorised firms;
  - (e) the appropriate investigation of each complaint by a person of sufficient competence who was not directly involved in the act or omission that the complaint was about;
  - (f) that responses to a complaint adequately address the subject-matter of the complaint and, if the complaint is upheld, offer appropriate redress;
  - (g) the person responsible for responding to a complaint either being authorised to settle the complaint (including offering redress, if appropriate) or having ready access to someone who has the necessary authority;
  - (h) identifying complainants who would be eligible, if dissatisfied with the firm's decision, to apply under the customer dispute resolution scheme, and informing them in a durable medium about their right to do so.
- (3) An authorised firm:
- (a) must publish details of its internal complaint-handling procedures;
  - (b) must give a copy of the published details to any customer who asks for it;
  - (c) must give a copy of the published details automatically to a complainant when it receives a complaint (unless the complaint is resolved by close of business on the next business day); and
  - (d) must display, in each of its sales offices to which customers have access, a notice indicating that the firm is covered by the customer dispute resolution scheme.

### **3.8.3 Customer redress**

- (1) This rule applies if:
  - (a) an authorised firm receives a complaint; and
  - (b) having considered the complaint, the firm decides that redress is appropriate.
- (2) The firm:
  - (a) must provide the complainant with fair compensation (financial or otherwise) for any acts or omissions for which the firm was responsible; and
  - (b) must give effect to any offer of redress that the complainant accepts.

### **3.8.4 Referring complaints to other firms**

- (1) If an authorised firm (the *receiving firm*) is satisfied on reasonable grounds that another authorised firm may be solely, jointly or partly responsible for the act or omission alleged in a complaint, it may refer all or part of the complaint to the other firm.
- (2) However, the receiving firm:
  - (a) must make any referral to the other firm promptly, but no later than 5 business days after the day on which it became satisfied that the other firm may be solely, jointly or partly responsible for the act or omission;
  - (b) must make the referral in a durable medium; and
  - (c) must inform the complainant in a durable medium about the referral and the other firm's contact details.
- (3) Unless the receiving firm is satisfied that the other firm may be solely responsible for the act or omission, the receiving firm must continue to comply with these rules in relation to the complaint.



- (4) If an authorised firm receives a complaint that was referred to it by the receiving firm under subrule (1), the complaint is taken, for these rules:
- (a) to have been made directly to the firm by the complainant; and
  - (b) to have been received by it when it received the referral.

### **3.8.5 Service standards**

- (1) This rule applies if a complaint has not been resolved by close of business on the next business day after the day on which it is received.
- (2) If the firm has referred part of the complaint to another authorised firm, the firm must comply with this rule in relation to the part of the complaint that was not referred.
- (3) Within 5 business days after the day on which the complaint is received, the authorised firm concerned must give the complainant an acknowledgement in a durable medium. The acknowledgement:
  - (a) must give the name and job title of the individual who is handling the complaint for the firm; and
  - (b) must give details of the firm's internal complaint-handling procedures.
- (4) The acknowledgement may be combined with a final response if the firm can provide the response within 5 business days after the day the complaint is received.
- (5) A final response:
  - (a) must be in a durable medium;
  - (b) must do 1 of the following:
    - (i) accept the complaint and, if appropriate, offer redress;
    - (ii) offer redress without accepting the complaint;
    - (iii) reject the complaint and give reasons for rejecting it; and

- (c) if the complainant is eligible to apply under the customer dispute resolution scheme:
  - (i) must inform the complainant that, if the complainant is dissatisfied with the response, the complainant may apply under that scheme, but must do so within 4 calendar months after receiving the response; and
  - (ii) must give the contact details for the scheme.
- (6) If the firm has not given the complainant a final response at the end of 4 weeks after the day on which the complaint is received, the firm must give the complainant a response, in a durable medium, explaining why it has not been able to resolve the complaint and indicating when it will contact the complainant again about the complaint.
- (7) If the firm has not given the complainant a final response at the end of 8 weeks after the day on which the complaint is received, the firm must give the complainant a response, in a durable medium, that:
  - (a) explains that the firm has not been able to give a final response, gives reasons for the further delay and indicates when the firm expects to give a final response; and
  - (b) if the complainant is eligible to apply under the customer dispute resolution scheme, informs the complainant that the complainant may apply under that scheme if dissatisfied with the delay.
- (8) For this rule, if the firm received the complaint on a day that is not a business day, or on a business day after close of business, the complaint is taken to have been received by the firm on the next business day.

### **3.8.6 Analysis of complaints for systemic weaknesses**

- (1) An authorised firm must regularly (at least annually) undertake an appropriate analysis of the patterns of complaints, including

investigating whether the complaints indicate an isolated issue or a more widespread issue for customers.

- (2) The results of the analysis must be submitted to the firm's compliance officer, the firm's risk management officer (if any) and to the firm's senior management.
- (3) An authorised firm must analyse complaints that it receives against intermediaries (whether in the QFC or in another jurisdiction) in relation to products that the intermediaries have distributed on the firm's behalf, to enable the firm to assess the complete customer experience and identify any issues that need to be addressed.

### **3.8.7 Quarterly reporting about complaints**

An authorised firm must make a quarterly report to the Regulatory Authority about complaints. The report must be in the format directed by the Regulatory Authority by notice from time to time.

### **3.8.8 Restitution orders for contravention of relevant requirements**

- (1) A person who is entitled to make a complaint to an authorised firm under rule 3.8.1 may apply to the Civil and Commercial Court of the QFC for a restitution order if the person has suffered loss or damage as a result of a contravention by the firm of a relevant requirement in relation to a regulated activity.
- (2) In this rule:  
*contravention of a relevant requirement* has the meaning given by FSR, articles 84 and 85.

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<b>Part 4.1</b>	Preliminary

Rule 4.1.1

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## **Chapter 4**                    **Obligations of all authorised firms—advertisements, personal contact with customers, and initial disclosure document**

### **Part 4.1**                    **Preliminary**

#### **4.1.1**                    **Application of Chapter 4**

This Chapter applies to an authorised firm in its dealings with customers (other than eligible counterparties).

#### **4.1.2**                    **How Chapter 4 is meant to operate**

This Chapter is intended to apply to an authorised firm in a way that is appropriate and proportionate, taking into account, for example, the means used for communicating an advertisement, and the information that an advertisement is intended to convey to a customer.

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## Part 4.2 Advertisements—general requirements

### 4.2.1 Meaning of *advertisement*

In these rules:

*advertisement* means a communication made using any medium (for example, brochure, telephone call, the internet, email and presentation) if the purpose or effect of the communication is:

- (a) to promote or advertise:
  - (i) 1 or more specified products; or
  - (ii) a regulated activity (or an activity that would be a regulated activity if it was carried on in or from the QFC); or
- (b) to invite or induce any person:
  - (i) to enter into an agreement with any person in relation to a specified product; or
  - (ii) to engage in a regulated activity (or an activity that would be a regulated activity if it was carried on in or from the QFC).

### 4.2.2 Advertisements—compliance confirmation

Before an authorised firm makes or approves an advertisement, the firm must ensure that a member of the firm's senior management (within the meaning given by CTRL, rule 4.1.1) reviews the advertisement, and confirms in a durable medium that he or she is satisfied that it complies with this Part.

### 4.2.3 Advertisements for Shari'a-compliant products

- (1) An authorised firm must not make or approve an advertisement for a product or service that is represented as being Shari'a-compliant unless the product or service has been approved by the firm's Shari'a

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supervisory board. If the product was developed by another authorised firm or regulated financial institution, the product must also have been approved by that firm or institution's Shari'a supervisory board.

- (2) An advertisement for a product or service that is represented as being Shari'a-compliant must specify the firm whose Shari'a supervisory board approved the product or service and the date on which the approval was given.

#### **4.2.4 Content of advertisements**

- (1) If an authorised firm makes or approves an advertisement, it must ensure that:
  - (a) the advertisement is clear, fair and not misleading;
  - (b) the promotional purpose of the advertisement is clearly identifiable;
  - (c) the advertisement does not omit anything if the result of the omission is that the advertisement contravenes paragraph (a);
  - (d) every material statement of fact in the advertisement can be substantiated;
  - (e) if the advertisement includes a material statement of fact, the statement is sufficiently up to date to ensure that the advertisement does not contravene paragraph (a);
  - (f) if the advertisement is about a regulated activity or specified product that places a customer's capital at risk, it makes the risk clear;
  - (g) if the advertisement is about a regulated activity or specified product with a complex charging structure, or in relation to which the firm will receive 2 or more elements of remuneration—the advertisement contains enough information taking into account the needs of the recipients;

- (h) the advertisement does not mention an approval or authorisation of the Regulatory Authority unless the Authority has given the approval or authorisation in a durable medium;
- (i) the advertisement is not misleading about any of the following:
  - (i) the authorised firm’s independence or the independence of the advice that it provides;
  - (ii) the firm’s ability to provide the advertised product or service;
  - (iii) the scale of the firm’s activities;
  - (iv) the extent of the firm’s resources;
  - (v) the nature of the involvement of the firm or any other person in the product or service;
  - (vi) the scarcity of the product or service;
  - (vii) the past performance or possible future performance of the product or service;
- (j) if the advertisement contains acronyms or initialisms, it states what the letters stand for; and
- (k) the advertisement describes a product or service as free only if the entire product or service is available free to a customer.

**Guidance**

Accordingly, initial meetings with customers may not be advertised as a “free financial review” or “free financial plan” or similar expressions.

- (2) If an authorised firm makes or approves an advertisement that is to be published in a durable medium, the firm must ensure that the advertisement contains all of the following information:
  - (a) the firm’s name;
  - (b) either the firm’s address or a contact (for example, a web site) from which the address is available;
  - (c) the date of issue and, if applicable, the expiry date, of the advertisement;

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- (d) either of the following statements about the firm’s authorisation:
  - (i) “Authorised by the Qatar Financial Centre Regulatory Authority”;
  - (ii) “Authorised by the QFC Regulatory Authority”;

*Note* Either of these statements is also required in the firm’s business documents—see GENE, rule 3.1.2.
- (e) in the case of a co-branded financial product, the name and regulatory status of the other firm or each of the other firms.

**4.2.5 Advertisements made by another person**

An authorised firm must ensure that an advertisement that was made for it by another person contains the names of both the firm and the other person.

**4.2.6 Withdrawal of non-compliant advertisements**

If an authorised firm becomes aware that an advertisement does not comply, or no longer complies, with this Part, the firm must withdraw the advertisement as soon as practicable by either:

- (a) ceasing to make the advertisement and informing any customer that the firm knows to be relying on it that the advertisement is withdrawn; or
- (b) withdrawing its approval and informing any customer that the firm knows to be relying on it that the advertisement is withdrawn.

**4.2.7 Presentation of advertisements**

- (1) Before an authorised firm makes or approves an advertisement, it must ensure that the advertisement:
  - (a) is accurate and, in particular, does not emphasise any potential benefits of a specified product (or regulated activity) without also giving a fair and prominent indication of any relevant risks;



- (b) is sufficient for the needs of the average individual to whom it is addressed or by whom it is likely to be received, and is presented in plain English and in a way that he or she is likely to understand; and
  - (c) does not disguise, diminish or obscure important information, statements or warnings.
- (2) If the firm is a tied agent of a product provider for a particular product or service, the firm must disclose that fact in all of its advertisements for the product or service.

#### **4.2.8 Comparisons in advertisements**

If an authorised firm makes or approves an advertisement that contains a comparison or contrast, it must ensure that:

- (a) the comparison is meaningful and is presented in an objective and balanced way;
- (b) the sources of the information used for the comparison are stated;
- (c) the key facts and assumptions used to make the comparison are included; and
- (d) nothing material to the comparison is omitted.

#### **4.2.9 Advertisements with references to past performance**

- (1) If an authorised firm makes or approves an advertisement that includes or refers to the past performance of a regulated activity or specified product, it must ensure that:
- (a) the performance information is not the most prominent feature of the advertisement;
  - (b) the performance information:
    - (i) covers at least the last 5 years, or the entire period for which the regulated activity or specified product has been offered, but never less than 3 consecutive years; and

- (ii) is based on complete 12-calendar-month periods; and
  - (c) the reference period, basis and source of the performance information are clearly stated.
- (2) The firm must ensure that any document that contains information on past performance contains the following warning:

***Warning: Past performance is not a reliable guide to future performance.***

The warning must appear near the information on past performance, and may not be provided by way of a footnote.

- (3) The firm must make and retain a detailed record of how the past performance information was calculated.

#### **4.2.10 Advertisements with future performance forecasts**

- (1) If an authorised firm makes or approves an advertisement that includes or refers to a forecast of the future performance of a regulated activity or specified product, it must ensure that:
- (a) the forecast is not based on, and does not refer to, simulated past performance;
  - (b) the forecast is based on reasonable assumptions supported by objective data; and
  - (c) the forecast is based on net performance (that is, the effect of commissions, fees or other charges (applied by any party) is fully taken into account in the forecast) and is not based on gross performance.

**Guidance**

In the case of a packaged investment product, the other charges would include charges applied at the level of the underlying funds and any sub-funds of those funds.

- (2) The firm must ensure that any document that includes or refers to illustrations or information on future performance forecasts must also contain the following warning:

***Warning: These figures are estimates only. They are not a reliable guide to the future performance of this investment.***

The warning must appear near the information on future performance, and may not be provided by way of a footnote.

#### **4.2.11 Advertisements for packaged investment products**

- (1) In relation to the past performance of a packaged investment product, an authorised firm must ensure that, where relevant, the performance information is given on:
- (a) an offer-to-bid basis (which must be stated), if there is an actual return or comparison of performance with other investments;
  - (b) an offer-to-offer, bid-to-bid or offer-to-bid basis (which must be stated), if there is a comparison of performance with an index or with movements in the price of units; or
  - (c) a single-pricing basis (which must be stated) with allowance for fees and charges.
- (2) If the pricing policy of the product changes during the period for which performance information is presented, the firm must ensure that the prices used include the adjustments necessary to remove any distortions resulting from the change in the pricing policy.
- (3) If an authorised firm gives information in a durable medium about the simulated performance of a packaged investment product, the information:
- (a) must be based on a simulated performance that is relevant to the performance of the product;
  - (b) must not be selected so as to exaggerate the success or disguise the lack of success of the product;
  - (c) must state the source of the information; and

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- (d) must indicate whether, and to what extent, transaction costs, interest and taxation have been taken into account.
- (4) The firm must ensure that any advertisement that contains illustrations or information on simulated performance also contains the following warning:

***Warning: These figures are estimates only. They are not a reliable guide to the future performance of this investment.***

The warning must appear near the information on simulated performance, and may not be provided by way of a footnote.

- (5) The firm must make and retain a detailed record of how the simulated performance information was calculated.

#### **4.2.12 Advertisements describing products as guaranteed**

An authorised firm must ensure that an advertisement does not describe a product as guaranteed or partly guaranteed unless:

- (a) there is a legally enforceable agreement with a guarantor that undertakes to meet, to whatever extent is stated in the advertisement, a customer's claim under the guarantee;
- (b) the firm has made, and can show that it has made, an assessment of the value of the guarantee;
- (c) the advertisement clearly states the name of the guarantor and the level, nature and extent of the limitations of the guarantee; and
- (d) if the guarantor is a partner, employee, shareholder or associate of the firm, or an entity within the same corporate group as the firm, the advertisement states that fact.

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## Part 4.3 Personal contact with customers

### 4.3.1 Personal visits—retail customers

- (1) An authorised firm must not make an unsolicited personal visit, at any time, to a retail customer.
- (2) An authorised firm may make a personal visit to a retail customer only if the customer has consented to the visit. The firm must obtain the customer's consent separately for each visit and must retain a record of each consent.
- (3) A customer's consent to a visit is effective for subrule (2) only if the customer has specifically consented:
  - (a) to the purpose or purposes for the visit; and
  - (b) to the time and date for the visit.
- (4) Subrules (1) and (2) do not apply to a visit required in connection with the settlement of an insurance claim made by the customer, or the administration of an existing insurance contract entered into by the customer.

### 4.3.2 Telephone contacts—retail customers

- (1) An authorised firm may make unsolicited telephone contact with a retail customer only in the following cases:
  - (a) the firm has, within the previous 12 calendar months, provided the customer with a product or service similar to the product or service that is the purpose of the telephone contact;
  - (b) the customer holds a product that requires the firm to maintain contact with the customer, and the contact is about the product;
  - (c) the customer has previously consented in a durable medium to being contacted by telephone by the firm.
- (2) An authorised firm may make telephone contact with a retail customer only between the hours of 09.00 and 21.00, Saturday to

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Thursday (and not on a religious, public or bank holiday), unless the customer agrees otherwise.

**4.3.3 Conduct of personal visits and telephone contacts**

- (1) When making a personal visit to, or telephone contact with, a customer, the person who makes the visit or contact must immediately do the following things in the order they are set out:
  - (a) identify himself or herself by name, and give the name of the authorised firm and the purpose of the visit or telephone contact;
  - (b) in the case of a telephone contact that is being recorded, inform the customer so;
  - (c) ask whether the customer wishes to continue the visit or telephone contact and if the customer does not wish to continue, end the visit or telephone contact immediately.
- (2) An authorised firm must not conclude a sale during a personal visit or telephone contact that was initiated by the firm.
- (3) An authorised firm must comply with a request from a retail customer not to make a personal visit to, or make telephone contact with, him or her again. The firm must make a record of the request, and must retain the record for at least 6 years after the request.
- (4) An authorised firm must also make an appropriate record of the matters discussed during a personal visit or telephone contact. The firm must retain the record for 6 years after the visit or contact.

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## Part 4.4 Initial disclosure document

### 4.4.1 Initial disclosure documents—general

- (1) An authorised firm must draw up an initial disclosure document and must give a copy of it to every retail customer or business customer, in a durable medium, before providing any service to that customer.
- (2) An initial disclosure document must be a stand-alone document, in type of a reasonable size, and no more than 3 A4 pages long.
- (3) An initial disclosure document must be entitled either *initial disclosure document* or *terms of business*. No other title may be used.
- (4) The copy of an authorised firm’s initial disclosure document that is given to a customer must be dated, and must be signed by an employee of the firm. The firm may ask a customer to sign a copy, but only as evidence of the customer’s having received a copy of the document.
- (5) An authorised firm must ensure that the initial disclosure document that the firm gives a customer contains, in plain English, the information that the firm reasonably considers will be, or is likely to be, appropriate for the customer, taking into account:
  - (a) the activities that the firm may conduct with or for the customer; and
  - (b) whether the customer is a retail customer or a business customer.
- (6) The information in an initial disclosure document must begin with the information required by rule 4.4.2, and must continue with the sector-specific information required in the particular case.
- (7) An authorised firm must periodically review its initial disclosure document to ensure that all of the information in it is accurate and current.
- (8) If an authorised firm makes a material change to its initial disclosure document that will be relevant to, or will affect, existing customers,

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it must give a copy of the revised document to all of its existing customers without delay.

**4.4.2 Initial disclosure documents—content**

- (1) An authorised firm’s initial disclosure document must begin with the following information in the following order:
  - (a) the legal name and business address of the firm, and its trading name if it is different to the legal name;
  - (b) the date on which the document came into effect;
  - (c) either of the following statements about the firm’s authorisation:
    - (i) “Authorised by the Qatar Financial Centre Regulatory Authority”;
    - (ii) “Authorised by the QFC Regulatory Authority”;

*Note* Either of these statements is also required in the firm’s business documents—see GENE, rule 3.1.2.
  - (d) information (in plain English) about the regulated activities that the firm is authorised to undertake;
  - (e) a statement as to whether or not the firm’s regulated activities are conducted in accordance with Shari’a;
  - (f) a description (see subrule (2)) of the services that the firm offers;
  - (g) information about:
    - (i) the firm’s internal complaint-handling procedures, including information about how a complaint can be made to the firm; and
    - (ii) the customer dispute resolution scheme.
- (2) The description of the firm’s services must include details of the nature and scope of the services offered by the firm. The initial disclosure document must also state whether there are any restrictions on the nature and scope of those services (whether as a result of



regulatory provisions or the policy of the firm) and if so, must give details of the restrictions.

- (3) Any other information that is required by a provision of these rules to be in the firm's initial disclosure document must follow the information required by subrule (1).

#### **4.4.3 Amendment of initial disclosure documents**

If an authorised firm's initial disclosure document allows the firm to change the terms of the document without its customers' agreement, the firm must not conduct business with or for a customer on the basis of a changed document unless the firm has given the customer notice, in a durable medium, of the change:

- (a) at least 10 business days before the change is to take effect; or
- (b) if it is impractical to give notice of the change within the period mentioned in paragraph (a)—as early as is practicable.

## **Chapter 5 Investment management business and investment mediation business**

### **Part 5.1 Application and general provisions**

#### **5.1.1 Application of Chapter 5**

- (1) This Chapter applies to an authorised firm in its dealings with customers (other than eligible counterparties).
- (2) This Part and Part 5.2 apply to all authorised firms that conduct investment business in or from the QFC.
- (3) Part 5.3, Part 5.4 and Part 5.5 apply to an investment intermediary (including an investment manager, bank or insurer that is acting as an investment intermediary).

#### **5.1.2 Definitions**

- (1) In these rules:

*investment advice* means the activity of giving, or agreeing to give, advice to a customer on the merits of:

- (a) buying, selling, subscribing for or underwriting a relevant investment; or

*Note* *Relevant investment* is defined in this subrule.

- (b) exercising a right conferred by a relevant investment to acquire, dispose of, underwrite or convert a relevant investment.

*investment business* means any of the following:

- (a) arranging deals in relevant investments (that is, the regulated activity of arranging deals in investments, if the specified product to which the activity relates is a relevant investment);

- (b) dealing in relevant investments (that is, the regulated activity of dealing in investments if the specified product to which the activity relates is a relevant investment);
- (c) dealing in relevant investments (that is, the regulated activity of dealing in investments, if the specified product to which the activity relates is a relevant investment), if limited to dealing as agent;
- (d) advising on relevant investments (that is, the regulated activity of advising on investments, if the specified product to which the activity relates is a relevant investment);
- (e) managing relevant investments (that is, the regulated activity of managing investments, if the specified product to which the activity relates is a relevant investment);
- (f) providing custody services;
- (g) arranging the provision of custody services;
- (h) operating collective investment schemes.

***investment intermediary*** means an authorised firm that provides arrangement, advisory or intermediation services in relation to relevant investments.

***investment manager*** means an authorised firm that is engaged in:

- (a) the activity of managing, or agreeing to manage, relevant investments belonging to a customer (if the investments may consist of or include particular investments at the firm's discretion); or
- (b) the activity of offering or agreeing to manage relevant investments.

***investment mediation business*** means the business of conducting any 1 or more of the following:

- (a) dealing in relevant investments (if limited to dealing as agent);  
*Note* Dealing in investments as principal is covered by BANK or IBANK, as applicable. Dealing in investments includes buying, selling, subscribing for or underwriting investments.
- (b) managing relevant investments;
- (c) providing custody services;
- (d) operating a collective investment scheme;
- (e) providing custody services in relation to a collective investment scheme;
- (f) providing scheme administration (within the meaning given by the *Collective Investment Schemes Rules 2010*) to a collective investment scheme;
- (g) arranging deals in relevant investments;
- (h) arranging the provision of custody services;
- (i) arranging financing facilities;
- (j) advising on relevant investments.

***managing investments*** is the activity of managing, or agreeing to manage, assets belonging to another person if:

- (a) the assets consist of or include relevant investments or long term insurance contracts; and
- (b) subject to compliance with Shari'a in the case of Islamic investments, the assets may consist of or include relevant investments or long term insurance contracts at the discretion of the person managing or agreeing to manage them.

***packaged investment product*** means:

- (a) an investment where, regardless of its legal form, the amount repayable to the investor is subject to fluctuations because of

- exposure to reference values or to the performance of 1 or more assets that are not directly purchased by the investor; or
- (b) an insurance-based investment product that offers a maturity or surrender value that is wholly or partly exposed, directly or indirectly, to market fluctuations.

**Guidance**

A structured note, or a bespoke investment product, may fall within the definition of *packaged investment product*, depending on how it is structured.

***relevant investment*** means an investment in any of the following:

- (a) shares;
- (b) debt instruments;
- (c) warrants;
- (d) securities receipts;
- (e) units in collective investment schemes;
- (f) options;
- (g) futures;
- (h) contracts for differences;
- (i) rights in investments;
- (j) packaged investment products;
- (k) Islamic investments;
- (l) investments that are a hybrid of, or blend of, 2 or more other relevant investments.

***security*** means any of the following:

- (a) a share;
- (b) a debt instrument;
- (c) a warrant;
- (d) a securities receipt;
- (e) a unit in a collective investment scheme.

***specified product***: the following are specified products:

- (a) shares;
- (b) debt instruments;
- (c) credit facilities;
- (d) warrants;
- (e) securities receipts;
- (f) units in collective investment schemes;
- (g) options;
- (h) futures;
- (i) contracts for differences;
- (j) contracts of insurance;
- (k) deposits;
- (l) rights in investments.

(2) In subrule (1):

***collective investment scheme***: see the *Collective Investment Schemes Rules 2010*, rule 1.2.1.

***contract for differences*** means the specified product described in FSR, Schedule 3, Part 3, paragraph 9.

***credit facility*** means the specified product described in FSR, Schedule 3, Part 3, paragraph 3.

***debt instrument*** means the specified product described in FSR, Schedule 3, Part 3, paragraph 2.

***deposit***: see rule 7.1.2.

***future*** means the specified product described in FSR, Schedule 3, Part 3, paragraph 8.

***Islamic investment*** has the same meaning as in the *Investment Management and Advisory Rules 2014*.

*Note* See those Rules, rule 1.1.3A (2).

***option*** means the specified product described in FSR, Schedule 3, Part 3, paragraph 7.

***rights in investments*** means the specified product described in FSR, Schedule 3, Part 3, paragraph 12.

***securities receipt*** means the specified product described in FSR, Schedule 3, Part 3, paragraph 5.

***share*** means the specified product described in FSR, Schedule 3, Part 3, paragraph 1.

***unit in a collective investment scheme***: see the *Collective Investment Schemes Rules 2010*, rule 1.2.4.

***warrant*** means the specified product described in FSR, Schedule 3, Part 3, paragraph 4.

### **5.1.3 General obligations—charges**

- (1) An investment manager or investment intermediary must ensure that its fees and charges to its customers are not excessive.
- (2) Subrule (3) applies to the calculation of charges applied to a customer by an investment manager or an investment intermediary, if the level of those charges depends on the value of investments (including packaged investment products) that are not readily realisable.
- (3) The valuation of the investments for the purposes of calculating the charges must be either:
  - (a) the price likely to be agreed between a willing buyer and a willing seller who are dealing at arm's-length and who both have all the information that is freely available about the investments;  
or
  - (b) in the case of a packaged investment product that is an insurance contract, the value that the customer would receive if the contract were terminated or surrendered.

#### **5.1.4 Obligation—research charges**

An authorised firm may apply a specific research charge to a customer only in accordance with the firm's agreement with that customer. The agreement:

- (a) must specify what research can be paid for;
- (b) must specify a research budget; and
- (c) must provide for:
  - (i) reviewing and assessing the purchased research; and
  - (ii) periodic disclosure to customers.

#### **5.1.5 General obligation—benefits from third parties**

- (1) If an authorised firm that provides investment management or investment advice services holds itself out as being independent, it must not retain any fees, commission, or monetary or non-monetary benefits from a third party. If the firm receives such a benefit, the firm must pass the benefit on to the relevant customer, in full, as soon as possible after receiving it.
- (2) Subrule (1) does not prevent such a firm from retaining a minor non-monetary benefit. However:
  - (a) the firm must not allow such a benefit to impair the firm's duty to act in the best interests of its customers;
  - (b) the benefit, if retained, must be used to improve the firm's service to its customers; and
  - (c) the firm must inform its customers of the benefit and that the firm has retained it.
- (3) Research is not a benefit for the purposes of this rule if the firm itself pays for the research out of its own resources or by way of a specific research charge to the relevant customer.



## **Part 5.2 Investment managers**

### **Note**

This Part applies to an authorised firm that carries on investment business in or from the QFC—see rule 5.1.1 (2).

### **5.2.1 Initial disclosure document—additional requirements**

- (1) After the information required by rule 4.4.2, the initial disclosure document for an authorised firm that proposes to conduct investment management business must set out the following information in the following order:
  - (a) whether the firm can act as principal in a transaction with the customer;
  - (b) whether the firm charges on the basis of fees or commissions, or a combination of fees and commissions;
  - (c) the fees that the firm would charge, or the likely commissions that the firm would earn (or both if relevant), for the investment business that the firm offers to customers;
  - (d) how the firm will deal with conflicts of interest and material interests;
  - (e) guidance on, and appropriate warnings about, the material risks associated with:
    - (i) the investment business that the firm offers; and
    - (ii) any investment strategy that the firm follows.
- (2) If the firm charges fees, the initial disclosure document must state how those fees will be calculated, paid and collected, and how frequently they are to be paid.
- (3) If information about the firm's fees is not available when the firm gives a customer the initial disclosure document, the firm must give the customer the information in a separate document in good time

before the customer becomes contractually bound in relation to the investment business.

**Guidance**

Information about the relevant fees and commissions cannot be given to the customer on the same date as the customer commits to any contractual obligations.

**5.2.2 Discretionary investment management agreements**

- (1) If an authorised firm proposes to manage relevant investments in an account or portfolio for a customer on a discretionary basis, it must first enter into an investment management agreement with the customer, in a durable medium, signed by both parties.
- (2) The agreement must provide for the following:
  - (a) portfolio composition and initial value—the initial composition and value of the portfolio and its on-going composition;
  - (b) discretion—the extent of the firm’s discretion and whether there are any restrictions or limits;
  - (c) valuation—the basis on which the assets being managed are to be valued;
  - (d) underwriting—whether the firm is permitted to commit the customer to an obligation to underwrite or sub-underwrite an issue or offer of securities and, if so, any restrictions or limits of the extent of the underwriting;
  - (e) borrowing—whether the firm is permitted to borrow on the customer’s behalf, and, if so:
    - (i) the circumstances in which it may borrow;
    - (ii) the limits on such borrowing; and
    - (iii) the circumstances (if any) in which the limits can be exceeded;
  - (f) stock lending—whether or not the firm is permitted to undertake stock lending with or for the customer, and, if so:
    - (i) the assets to be lent;

- (ii) the type and value of collateral from the customer; and
- (iii) the method and amount of payment owing to the customer in the lending.

### **5.2.3 Discretionary investment management services for retail customers and certain opted-up customers**

- (1) This rule applies if an authorised firm enters into, or proposes to enter into, a discretionary investment management agreement with:
  - (a) a retail customer; or
  - (b) an individual who has been classified as a business customer in reliance on a statement under rule 3.3.3 (2), or who was classified as a business customer under COND in reliance on a statement under rule 2.3.2A (2) of those rules.
- (2) Before the firm enters into the agreement:
  - (a) it must take reasonable steps to ensure that it has sufficient personal and financial information about the customer;
  - (b) it must take reasonable steps to ensure that the service set out in the agreement is suitable for the customer, taking into account what the customer has told the firm and anything else that the firm knows or reasonably ought to know about the customer;
  - (c) it must be satisfied that:
    - (i) the service is appropriate for the customer;
    - (ii) the customer is likely to continue to be able to meet the financial commitment associated with the service; and
    - (iii) the customer is financially able to bear any risks associated with the service; and
  - (d) it must give the customer a statement, in a durable medium, of why the firm considers that the service is suitable for the customer.
- (3) If an authorised firm makes an investment decision that applies to the portfolios (or parts of the portfolios) of a number of customers

referred to in subrule (1), the firm must take reasonable steps to ensure that the decision is suitable for all of those customers, taking into account each customer's stated investment objectives.

- (4) An authorised firm must periodically assess the portfolio or account of each of its customers referred to in subrule (1) to ensure that the portfolio or account remains suitable, taking into account what the customer has told the firm and anything else that the firm knows or reasonably ought to know about the customer. The minimum frequency of such assessments must be stipulated in the firm's agreement with such a customer.

#### **5.2.4 Investment management services for retail customers— “know your customer”**

- (1) An authorised firm must take reasonable steps to ensure that the information that it has about a retail customer is accurate, complete and up-to-date.
- (2) The information that an authorised firm obtains about a retail customer must include all of the following (to the extent appropriate to the customer's investment experience, the nature and extent of the service to be provided and the type of product or transaction envisaged, including its complexity and the risks involved):
  - (a) the customer's financial situation (for example, the source of his or her income, his or her financial commitments, savings, property and investments, loans or mortgages, and pensions);
  - (b) the customer's personal situation and plans (for example, his or her marital status, children, security of employment or term of employment contract, and future plans, including retirement plans);
  - (c) the customer's investment objectives, investment horizon and attitude to risk;
  - (d) the customer's knowledge of, and experience in, the relevant investment field;

- (e) the nature, volume and frequency of the customer's transactions in the investment field and the period over which they have been carried out;
  - (f) the customer's level of education and profession or former profession.
- (3) If the firm asks the customer for personal or financial information and the customer refuses to give it, the firm must warn the customer in a durable medium that failure to give the information may adversely affect the quality of the service that the firm provides. The firm must retain a record of the customer's refusal.

## **Part 5.3**

# **Investment intermediaries (including investment advisers)**

### **Note**

This Part applies to an investment intermediary (including an investment manager, bank or insurer that is acting as an investment intermediary) that carries on business in or from the QFC—see rule 5.1.1 (3).

### **5.3.1 Initial disclosure document—additional requirements**

- (1) After the information required by rule 4.4.2, the initial disclosure document for an authorised firm that proposes to conduct investment mediation business must set out the following information in the following order:
  - (a) whether the firm charges on the basis of fees or commissions, or a combination of fees and commissions;
  - (b) the fees that the firm would charge a customer or the likely commissions that the firm would earn (or both if relevant) for the business that the firm is offering;
  - (c) how the firm will deal with conflicts of interest and material interests;
  - (d) guidance on, and appropriate warnings of, the material risks associated with:
    - (i) the business that the firm is offering; and
    - (ii) any investment strategy that the firm follows.
- (2) If the firm charges fees, the initial disclosure document must state how those fees will be calculated, paid and collected, and how frequently they are to be paid.
- (3) If information about the firm's fees or commissions is not available when the firm gives a customer the initial disclosure document, the firm must give the customer the information in a separate document

before the customer becomes contractually bound in relation to the business.

**Guidance**

Information about the relevant fees and commissions cannot be given to the customer on the same date as the customer commits to any contractual obligations.

- (4) The initial disclosure document must contain a statement setting out whether or not the firm is acting independently. The statement must include:
  - (a) the names of the product providers whose packaged investment products the firm may sell and give advice on; and
  - (b) a list of the categories of their products that the firm may sell and give advice on.
- (5) The initial disclosure document must also set out details of any arrangements with particular product providers that prevent the firm from giving advice on packaged investment products from the whole market (or the whole of the relevant sector of the market).

### **5.3.2 Investment advice for retail customers—general requirements**

- (1) If an authorised firm gives advice on relevant investments to a retail customer:
  - (a) the firm must take reasonable steps to ensure that it has sufficient personal and financial information about the customer to give the advice (see rule 5.3.3);
  - (b) it must take reasonable steps to ensure that the advice is suitable for the customer, taking into account what the customer has told the firm and anything else that the firm knows or ought reasonably to know about the customer;
  - (c) if it recommends a product or service, it must be satisfied that:
    - (i) the product or service is appropriate for the customer;

- (ii) the customer is likely to continue to be able to meet the financial commitment associated with the product or service; and
    - (iii) the customer is financially able to bear any risks associated with the product or service; and
  - (d) the firm must give the customer a statement, in a durable medium, of why it considers the advice to be suitable for the customer.
- (2) The statement must set out the following information:
- (a) the customer's demands and needs;
  - (b) an explanation of why the firm has concluded that the advice is suitable for the customer, taking into account the information provided by the customer;
  - (c) an explanation of any possible disadvantages that the advice might have for the customer, including the nature of the risks involved.
- (3) An authorised firm must establish systems and controls:
- (a) to ensure that it effectively monitors all investment advice given by its employees;
  - (b) to ensure that that advice is appropriate and of high quality; and
  - (c) to take any necessary remedial measures in relation to the delivery of that advice.
- (4) The firm must establish a continuous training program that enables the firm's employees who give advice:
- (a) to keep abreast of market trends, economic conditions, innovations and modifications made to the relevant products and services;
  - (b) to maintain an appropriate level of knowledge about their industry segment, including the characteristics and risks of the products and services;



- (c) to know the applicable legal and regulatory requirements, including the requirements about:
  - (i) the communication of information about the products and services; and
  - (ii) appropriately disclosing any situation that might compromise the impartiality of the advice given or limit such advice; and
- (d) to be familiar with the documentation about the products and services and to answer reasonably foreseeable questions.

### **5.3.3 Investment intermediation and investment advice for retail customers—“know your customer”**

- (1) An authorised firm must take reasonable steps to ensure that the information that it has about a retail customer is accurate, complete and up-to-date.
- (2) For rule 5.3.2 (1) (a), the information that an authorised firm obtains about a retail customer must include all of the following (to the extent appropriate to the customer’s investment experience, the nature and extent of the service to be provided and the type of product or transaction envisaged, including its complexity and the risks involved):
  - (a) the customer’s financial situation (for example, the source of his or her income, his or her financial commitments, savings, property and investments, loans or mortgages, and pensions);
  - (b) the customer’s personal situation and plans (for example, his or her marital status, children, security of employment or term of employment contract, and future plans, including retirement plans);
  - (c) the customer’s investment objectives, investment horizon and attitude to risk;
  - (d) the customer’s knowledge of, and experience in, the relevant investment field;

- (e) the nature, volume and frequency of the customer's transactions and the period over which they have been carried out;
  - (f) the customer's level of education and his or her profession or former profession.
- (3) If the firm asks the customer for personal or financial information and the customer refuses to give it, the firm must warn the customer in a durable medium that failure to give the information may adversely affect the quality of the service that the firm provides. The firm must retain a record of the customer's refusal.

#### **5.3.4 Investment advice for retail customers—independence**

- (1) This rule applies if an authorised firm is providing investment advice to a retail customer in relation to packaged investment products.
- (2) The firm must not hold itself out as acting independently unless:
  - (a) it is not party to any arrangements with particular product providers that prevent it from giving advice on packaged investment products from the whole market (or the whole of the relevant sector of the market);
  - (b) it gives the advice on packaged investment products from a sufficiently large range of types of products and product providers to enable it to give the advice on the basis of a fair analysis of the market; and
  - (c) it offers retail customers the opportunity of paying in full for its services by means of a fee.

##### **Guidance**

Rule 5.3.4 (2) (c) means that an authorised firm that wishes to hold itself out as independent will need to give retail customers a purely fee-based option for paying for its services. The fee may be offered on a contingent basis so that it does not become payable if the retail customer does not buy a product. An authorised firm offering a fee-based service may, in addition, provide the retail customer with other payment options, for example, by commission.

- (3) If an authorised firm is providing investment advice to a retail customer in relation to a packaged investment product provided by another person:
- (a) the firm must not hold itself out as the provider of the product;  
and
  - (b) the firm must not do or say anything that might reasonably lead the customer to be mistaken about the identity of the product provider (and, if the customer is apparently mistaken about the identity of the provider, the firm must correct the mistake).

## **Part 5.4**                      **Packaged investment products— key information document**

### **Note**

This Part applies to an investment intermediary (including an investment manager, bank or insurer that is acting as an investment intermediary) that carries on business in or from the QFC—see rule 5.1.1 (3).

### **5.4.1**                      **Key information documents to be prepared**

An authorised firm must prepare a key information document:

- (a) for each packaged investment product that it produces for sale to retail customers; and
- (b) for each packaged investment product not produced by the firm that it sells or offers to sell to a retail customer.

### **5.4.2**                      **Key information documents to be given to retail customers**

- (1) An authorised firm (the *selling firm*) must not sell, nor arrange for the sale of, nor give advice on, a packaged investment product to a retail customer unless it has given the customer (in good time before the customer becomes bound by any contract) a key information document for the product.
- (2) If the product was produced by another authorised firm, the selling firm may give the customer the key information document prepared by the other authorised firm. However, the key information document must prominently display each of the following:
  - (a) the name of the selling firm;
  - (b) either the selling firm’s address or a contact from which that address is available;
  - (c) either of the following statements about the selling firm’s authorisation:
    - (i) “Authorised by the Qatar Financial Centre Regulatory Authority”;

(ii) “Authorised by the QFC Regulatory Authority”;

*Note* Either of these statements is also required in the firm’s business documents—see GENE, rule 3.1.2.

- (3) If the product was produced by a person in a jurisdiction outside the QFC, the authorised firm must prepare the key information document.
- (4) If during the term that a customer holds a packaged investment product there is a change in any significant information in the relevant key information document that the customer should be aware of, the selling firm must ensure that a revised key information document is given to any customer so affected, drawing the customer’s attention to the change.

#### **5.4.3 Key information documents—form and content**

- (1) The language of a key information document for a packaged investment product must be plain and easy to understand.
- (2) A key information document must be a separate document, in type of a reasonable size, and no more than 3 A4 pages long.
- (3) The words *key information document* must appear prominently at the top of the first page.
- (4) A key information document for a packaged investment product must set out information under the specific headings, and in the order, set out in Schedule 1.
- (5) Only the information required by Schedule 1 may be included in a key information document. No other information may be included in a key information document.
- (6) A key information document must not include nor refer to marketing material.

## **Part 5.5**                      **Packaged investment products— other matters**

### **Note**

This Part applies to an investment intermediary (including an investment manager, bank or insurer that is acting as an investment intermediary) that carries on business in or from the QFC—see rule 5.1.1 (3).

### **5.5.1**                      **Packaged investment products not to be sold execution-only**

An authorised firm must not sell a packaged investment product to a retail customer on an execution-only basis.

### **5.5.2**                      **Life insurance contracts—contract documents**

If an authorised firm finalises the sale of a packaged investment product that is a life insurance contract with or for a customer, the firm must, within 5 business days after finalising the sale, give the customer, in a durable medium, a contract document containing all the terms of the contract.

### **5.5.3**                      **Periodic statements to customers**

- (1) An authorised firm must ensure that every customer to whom it sells a packaged investment product receives periodic statements (at least annually) about the product.
- (2) The obligation imposed by subrule (1) also applies in relation to an investment product that is a packaged investment product within the meaning of these rules, and was sold by an authorised firm before the commencement of these rules.

*Note*                      These rules commenced on 1 January 2020—see rule 1.1.2.

- (3) However, that obligation does not apply in relation to a packaged investment product that is acquired through another investment structure for which periodic statements are provided to the customer concerned.

- (4) A periodic statement must contain at least the following:
  - (a) the value of the product at the beginning of the statement period;
  - (b) the value of any additional contributions made during that period;
  - (c) the value of the product at the end of that period, in accordance with subrule (5) or (7).
- (5) For a packaged investment product that is a life policy, the value of the product at the beginning of the statement period and the value of the product at the end of that period must be the values that the customer would receive if the contract was terminated or surrendered on the relevant dates.
- (6) The statement may also give policy values. However, if the statement gives such values, the values mentioned in subrule (5) must be given greater prominence.
- (7) For a packaged investment product that is not a life policy, the value of the product at the beginning of the statement period and the value of the product at the end of that period must be the prices likely to be agreed, on the relevant dates, between a willing buyer and a willing seller who are dealing at arm's-length and who both have all the information that is freely available about the product.
- (8) If the value of a packaged investment product is linked to the performance of underlying funds, a periodic statement must inform the customer how and where to find information about the performance of the underlying funds, changes of investments, investment strategy, number and value of the units and movements during the past year, administration fees, taxes, charges and current status of the investment in the underlying funds.
- (9) For the second and subsequent periodic statements in relation to a product, the value of the product at the beginning of the statement period must be the same as the value of the product at the end of the previous periodic statement.

- (10) If relevant, a periodic statement must contain information about participation rights in any surplus funds, and the basis of calculation of any bonus awarded to the customer during the relevant period.

**5.5.4 Changes in terms and conditions of packaged investment products**

If there is any significant change in the terms and conditions of a packaged investment product, the authorised firm that sells the product must notify each affected customer of their rights and obligations about the change, and must obtain the customer's consent as appropriate.



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## Chapter 6 Insurance business and insurance mediation business

### Part 6.1 Application and general provisions

#### 6.1.1 Application—Chapter 6

- (1) This Chapter applies to an authorised firm in its dealings with customers (other than eligible counterparties).
- (2) This Chapter applies to all authorised firms that conduct insurance business or insurance mediation business in relation to insurance contracts, whether life insurance contracts or non-investment insurance contracts.

#### Guidance

An authorised firm that acts as an insurance intermediary in, or advises on, life insurance contracts that have a maturity or surrender value should also refer to Part 5.4 (dealing with packaged investment products).

#### 6.1.2 Definitions

In these rules:

*carrying out contracts of insurance* means the regulated activity described in FSR, Schedule 3, Part 2, paragraph 3 as Carrying out a Contract of Insurance.

*contract of insurance* means the specified product described in FSR, Schedule 3, Part 3, paragraph 10.

*effecting contracts of insurance* means the regulated activity described in FSR, Schedule 3, Part 2, paragraph 2 as Effecting a Contract of Insurance.

*general insurance contract* means a contract of insurance that is a general insurance contract under FSR, Schedule 3, Part 3, paragraph 10.3.

***insurance business*** means the business of conducting either or both of the following regulated activities:

- (a) effecting contracts of insurance;
- (b) carrying out contracts of insurance.

***insurance mediation business*** means the business of conducting insurance mediation (within the meaning given by the *Insurance Mediation Business Rules 2011*, rule 1.2.2).

***life insurance contract*** means a long term insurance contract (other than a reinsurance contract or a pure protection contract) and includes a long term care insurance contract.

***long term care insurance contract*** means a long term insurance contract:

- (a) that satisfies all of the following conditions:
  - (i) it provides (or would at the policyholder's option provide) benefits for the policyholder in the event that the policyholder's mental or physical health deteriorates to the extent that he or she becomes incapacitated, becomes unable to live independently without assistance, and is not expected to recover sufficiently to be able to live independently without assistance;
  - (ii) those benefits are payable or provided for services, accommodation or goods that are necessary or desirable for the continuing care of the policyholder because of that incapacity;
  - (iii) those benefits can be paid periodically for all or part of the period during which the policyholder is unable to live independently without assistance; or
- (b) that is sold or held out as providing benefits for the policyholder as set out in paragraph (a).

***long term insurance contract*** means a contract of insurance that is a long term insurance contract under FSR, Schedule 3, Part 3, paragraph 10.4.

***non-investment insurance contract*** means a contract of insurance that is a general insurance contract or a pure protection contract but is not a long term care insurance contract.

***pure protection contract*** means a long term insurance contract that satisfies all of the following conditions:

- (a) the benefits under it are payable only on death or for incapacity due to injury, sickness or infirmity;
- (b) it has no surrender value, or the consideration consists of a single premium and the surrender value does not exceed that premium;
- (c) it does not provide for its conversion or extension in a way that would result in it ceasing to comply with paragraph (a) or (b);
- (d) it is not a reinsurance contract.

## **Part 6.2**                      **General requirements for insurers**

### **6.2.1**            **Insurers—initial disclosure document—additional requirements**

After the information required by rule 4.4.2, the initial disclosure document for an authorised firm that proposes to conduct insurance business must include information, in plain English, about the types of insurance contracts that it offers.

### **6.2.2**            **Developing insurance products—policies and procedures**

- (1) A QFC insurer must have policies and procedures, approved by the insurer’s governing body and recorded in a durable medium, for the development of new insurance products (including insurance products developed by another insurer for which the QFC insurer will act as an intermediary).
- (2) The policies and procedures must ensure that any new insurance product:
  - (a) is reviewed by the insurer’s compliance officer to confirm that the insurer is authorised to provide or sell the product, and that the product satisfies all the requirements of these rules and any other relevant rules or laws;
  - (b) in the case of a new takaful product—is approved by the insurer’s Shari’a supervisory board before it is offered to the insurer’s customers;
  - (c) is assessed in relation to the insurer’s business plan and risk appetite, and specifically in relation to its insurance risk policies and procedures;
  - (d) uses adequate information and data about the sustainability of the product and how it satisfies customers’ needs; and

(e) is subjected to a thorough assessment of its main characteristics.

**Guidance**

The Regulatory Authority expects that a new insurance product would also be carefully reviewed by the insurer's risk management officer and the individual who exercises the actuarial function for it. The Authority considers it good practice for a QFC insurer to establish a committee in relation to product development.

(3) A QFC insurer must adequately support any intermediary that will distribute a new product to customers.

**Guidance**

The support should focus on minimising the possibility of mis-selling the new product, and could include training for the intermediary's employees, or documents explaining the new product and its significant characteristics.

### **6.2.3 QFC insurers' appointment of insurance intermediaries**

- (1) A QFC insurer may appoint an insurance intermediary that is established in the QFC, in the State of Qatar, or in any other jurisdiction, but only if the insurer:
- (a) is satisfied that the intermediary:
    - (i) can lawfully act as an insurance intermediary in the relevant jurisdiction;
    - (ii) has the appropriate knowledge and ability to conduct insurance mediation business; and
    - (iii) is required, in its conduct of insurance mediation business, to comply with conduct of business rules that apply to it by law; and
  - (b) produces evidence to satisfy the Regulatory Authority that those rules offer equivalent consumer protection to that given by these rules.

- (2) However, an authorised firm may appoint a non-QFC insurance intermediary that does not satisfy subrule (1)(a)(iii) if the intermediary's contract of appointment contains provisions:
  - (a) that require the intermediary to comply with all of the requirements of these rules as if it were acting in or from the QFC; and
  - (b) by which the insurer accepts liability to customers for every act or omission of the intermediary that is directly applicable to the insurance mediation business that the intermediary conducts for the insurer.
- (3) The appointment must be recorded in a durable medium.
- (4) The QFC insurer must obtain evidence, in a durable medium, that the intermediary can lawfully act as an insurance intermediary in the relevant jurisdiction, and must retain that evidence.
- (5) A QFC insurer must establish systems and controls to verify, at least annually, that each of its appointed intermediaries can lawfully act as an insurance intermediary in the relevant jurisdiction.

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## Part 6.3                      General requirements for insurance intermediaries

### 6.3.1      Insurance intermediaries—initial disclosure documents— additional requirements

- (1) After the information required by rule 4.4.2, the initial disclosure document for an authorised firm that proposes to conduct insurance mediation business must set out the following information in the following order:
  - (a) information about whether it acts for an insurer or any other person, or independently for customers;
  - (b) details of any direct or indirect holdings by the firm that represent more than 10% of the voting rights or capital in an insurer;
  - (c) details of any direct or indirect holdings by an insurer or its parent entity that represent more than 10% of the voting rights or capital in the firm;
  - (d) whether the firm has given, or will give, information or advice about the insurance contract offered to the customer on the basis of:
    - (i) a fair analysis of the market;
    - (ii) insurance contracts available from a limited number of insurers; or
    - (iii) insurance contracts available from a single insurer;
  - (e) the full names of each insurer for which the firm acts and, for each insurer:
    - (i) the types of insurance (for example, motor insurance; health insurance), that the firm will give information or advice about; and
    - (ii) any contractual obligations or arrangements that limit the scope of advice that the firm can offer;

- (f) the amount of any fees or commissions charged by the firm in relation to an insurance contract or, if the actual amount of a fee or commission charged by the firm cannot be given, how a customer can calculate the total amount;
  - (g) if the firm is a tied agent, the disclosure required by rule 6.3.2.
- (2) An authorised firm must not hold itself out as giving information or advice to customers about insurance contracts on the basis of a fair analysis of the market unless:
- (a) it has considered a large enough number of insurance contracts available in the relevant sector or sectors of the market; and
  - (b) the consideration is based on criteria that reflect adequate knowledge of insurance contracts available in the relevant sector or sectors of the market.
- (3) If an authorised firm gives information or advice to customers about insurance contracts on the basis of insurance contracts available from a limited number of insurers or a single insurer, the firm must state in the initial disclosure document whether:
- (a) it is contractually obliged to conduct insurance mediation business on that basis; or
  - (b) it does so as a matter of policy.

### **6.3.2 Disclosure by tied agents**

- (1) A tied agent must ensure that the disclosure set out in subrule (2) appears:
- (a) on all business stationery that it uses in its insurance intermediary activity;
  - (b) on the section of its website that relates to its insurance intermediary activity; and
  - (c) in all its electronic communications (except SMS messages) with its customers that relate to its insurance intermediary activity.



- (2) The disclosure is as follows:  
“*[full legal name of agent]* is a tied agent for *[type of insurance]* of *[full legal name of insurer]*”.

### 6.3.3 Initial disclosure documents need not be provided in certain circumstances

- (1) A QFC insurer need not give an initial disclosure document to a customer in the course of renewing or amending a non-investment insurance contract if:
- (a) the insurer has already given the customer an initial disclosure document in relation to the contract; and
  - (b) the information in the document is still accurate and up-to-date.
- (2) For types of insurance (such as car insurance) where it is customary for customers to obtain 2 or more premium quotations and compare them, a QFC insurer need not provide an initial disclosure document with a quotation. However, if a quotation is accepted, the insurer must provide an initial disclosure document before the contract is completed.

### 6.3.4 Additional disclosure on customers' request

A QFC insurance intermediary (including a QFC insurer that is acting as an insurance intermediary) must, if a customer so requests, disclose to the customer:

- (a) all commissions and other economic benefits accruing to the intermediary, or another member of its corporate group, from business transacted for the customer; and
- (b) any payment that the intermediary receives for providing to, or securing for, the customer any additional insurance-related services.

#### Guidance

Rule 6.3.4 does not apply to premiums, but does apply to fees (including any fees that an authorised firm charges if it receives no commission from an insurer in relation to a contract of insurance).

**6.3.5 Authorised firms acting as general insurance intermediaries for insurers outside Qatar**

An authorised firm that is acting as an insurance intermediary for a foreign insurer (that is, an insurer that is established in a jurisdiction outside the QFC or the State of Qatar) must ensure that the firm complies with every law, regulation and rule of the State of Qatar applying to general insurance business.

**6.3.6 Certain sellers of insurance not taken to be insurance intermediaries**

An entity that sells insurance contracts is not treated as an insurance intermediary, and any relevant insurance contract is treated as having been sold by the insurer concerned, if all of the following conditions are satisfied:

- (a) the sale of insurance contracts is incidental to the entity's main business;
- (b) there is a written contract between the entity and the insurer;
- (c) the contract provides that the entity may sell only a single specified class of general insurance, and may not sell any other class of insurance, nor insurance contracts issued by another insurer;
- (d) the contract provides that the entity may not give advice to customers in relation to the purchase of insurance contracts;
- (e) the contract provides that, in relation to the sale of the insurance contracts, the insurer is liable for every act or omission of the entity to the same extent as it would be liable if the contract had been sold by the insurer itself;
- (f) the contract provides that money paid to the entity for an insurance contract is to be treated as having been paid to the insurer when it is paid to the entity.

**6.3.7 Business practices of insurance intermediaries**

- (1) A QFC insurance intermediary or QFC insurer that is acting as an insurance intermediary must hold an appointment (recorded in a durable medium), specific to it, from each insurance company that it can deal with.
- (2) A QFC insurance intermediary that holds an appointment from an insurer that is a branch must be satisfied that the insurer is appropriately authorised by a competent authority in the insurer's home jurisdiction.
- (3) If a QFC insurance intermediary refers insurance business to an insurer by way of another insurance intermediary, it must have an appointment, recorded in a durable medium, from the other insurance intermediary.
- (4) An intermediary of a QFC insurer is not taken to carry on business in or from the QFC only because it acts as an intermediary for the QFC insurer.
- (5) If an authorised firm uses intermediaries to distribute insurance products, the firm must be satisfied that each intermediary provides information to customers in a way that will help a customer to make an informed decision.

## **Part 6.4 Non-investment insurance—retail**

### **6.4.1 Non-investment insurance contracts—general requirements for retail business**

- (1) Before an authorised firm sells a non-investment insurance contract to a retail customer:
  - (a) it must take reasonable steps to ensure that it has information about the customer’s personal and financial circumstances (including details of the customer’s existing insurance cover) and objectives that might reasonably be expected to be relevant;
  - (b) it must take reasonable steps to ensure that the contract is suitable for the customer’s demands and needs, taking into account:
    - (i) whether the level of cover is sufficient for the risks that the customer wishes to insure;
    - (ii) the cost of the contract, if the cost is relevant to the customer’s demands and needs; and
    - (iii) the relevance of any exclusions, excesses, limitations or conditions in the contract; and
  - (c) it must explain to the customer the customer’s duty to disclose all circumstances material to the contract (both before the insurance starts and throughout the term of the contract) and the consequences of any failure to make a disclosure.
- (2) The firm must give the customer a statement, in a durable medium, of why the firm considers the contract to be suitable for the customer. The statement must set out the following information:
  - (a) the customer’s demands and needs;
  - (b) an explanation of why the firm has concluded that the contract is suitable for the customer, taking into account the information provided by the customer;

- (c) an explanation of any possible disadvantages that the contract might have for the customer, including the nature of the risks involved.
- (3) An authorised firm must establish systems and controls to promote the giving of good advice. In particular, the firm must establish continuous training programs that enable the employees who give advice:
- (a) to keep abreast of market trends, economic conditions, innovations and modifications made to the products and services;
  - (b) to maintain an appropriate level of knowledge about their industry, including the characteristics and risks of the products and services;
  - (c) to know the applicable legal and regulatory requirements;
  - (d) to know the requirements for communicating information about the products and services and for appropriately disclosing any situation that is liable to compromise the impartiality of the advice given or limit such advice; and
  - (e) to be familiar with the documentation about the products and services and to answer reasonably foreseeable questions.
- (4) An authorised firm must establish systems and controls to effectively monitor all non-investment insurance advice given by employees in order to ensure the quality and appropriateness of that advice, and to take any necessary remedial measures.
- (5) If a retail customer instructs an authorised firm to obtain insurance that is contrary to advice that the firm has given the customer, the firm must obtain confirmation, in a durable medium, of the customer's instructions before arranging or buying the insurance.

#### **6.4.2 Non-investment insurance—key information document**

- (1) An authorised firm must prepare a key information document for each non-investment insurance contract that it produces and for each such

contract that it sells. Before finalising such a contract with or for a retail customer, an authorised firm must give the customer a key information document to enable the customer to make an informed decision about the contract.

- (2) For a contract that was produced by another authorised firm, the key information document:
  - (a) may be the key information document prepared by the other authorised firm; but
  - (b) must prominently display each of the following:
    - (i) the name of the selling firm;
    - (ii) either the address of the selling firm or a contact from which the address is available;
    - (iii) either of the following statements about the selling firm’s authorisation:
      - (A) “Authorised by the Qatar Financial Centre Regulatory Authority”;
      - (B) “Authorised by the QFC Regulatory Authority”;
- (3) The selling firm may comply with subrule (2) (b) by including the required information in a sticker attached to the key information document.
- (4) If an authorised firm (the *selling firm*) wishes to sell non-investment insurance contracts that are issued by a non-QFC firm, the selling firm must prepare, for those contracts, a key information document that fully complies with these rules.
- (5) If the same information is required to be given to a customer by this Part of these rules and by another Part, the firm need not give the information twice. However, the firm must give the customer a key information document for every sale of a contract, including a renewal.

*Note* Either of these statements is also required in the firm’s business documents—see GENE, rule 3.1.2.

### 6.4.3 Non-investment insurance—form and content of key information document

- (1) The language of a key information document for a non-investment insurance contract must be plain and easy to understand. A key information document must be a separate document, in type of a reasonable size, and no more than 3 A4 pages long.
- (2) A key information document must not include marketing material. It may refer to other documents but not to marketing material.
- (3) The words **key information document** must appear prominently at the top of the first page.
- (4) A key information document must set out the following information:
  - (a) the name, the postal address, telephone, fax and email contact details of the insurer;
  - (b) the type of insurance;
  - (c) significant features and benefits of the contract;
  - (d) significant or unusual exclusions or limitations of the contract;
  - (e) information about where to find more information about exclusions or limitations in the contract;
  - (f) the term of the contract;
  - (g) a telephone number or address to which a claim can be notified under the contract, and information about how to make a claim;
  - (h) if the term is longer than 1 year:
    - (i) a statement that the customer may need to review and update the contract periodically to ensure that it remains adequate; and
    - (ii) details of the period for which the premium is valid, whether it will be reviewed at certain times or at the end of certain periods and, if so, when it will be reviewed;
  - (i) the total amount of the premium for the contract (giving a breakdown of the premium for main benefits and supplementary

- benefits) or, if the premium cannot be stated, how the customer can calculate the total amount;
- (j) any fees and charges that the customer must pay in addition to the premium;
  - (k) how to pay premiums and the period during which premiums must be paid;
  - (l) if the contract is connected with the purchase of other goods and services:
    - (i) whether the purchase of the contract is a requirement of purchasing the other goods or services; and
    - (ii) if an additional price is charged for the contract—the premium for the contract, separate from all other prices in relation to the other goods or services;
  - (m) whether there is a right to cancel the contract, and, if there is such a right, how to cancel the contract and the consequences of doing so;
  - (n) if the contract is to be effected by an insurer that is not a QFC insurer—the following:
    - (i) a statement to the effect that the insurer is not authorised or regulated by the Regulatory Authority, and information about who is the regulator of the insurer;
    - (ii) an explanation of any differences between the cancellation rights (if any) under the contract (including the length of any period to exercise the rights) and those that would be provided under these rules if the insurer were a QFC insurer; and
    - (iii) a warning to the effect that the claims handling procedures under the contract, and the arrangements for resolving disputes, may differ from those provided under these rules;



- (o) a statement that the information in the key information document is not the full terms of the contract, and that the full terms are in the policy document;
- (p) information about:
  - (i) the insurer's internal complaint-handling procedures, including information about how to complain to the insurer; and
  - (ii) the availability of the customer dispute resolution scheme.

## **Part 6.5 Non-investment insurance— general matters**

### **6.5.1 Non-investment insurance—provision of contract document**

If an authorised firm finalises a non-investment insurance contract with or for a customer, the firm must give the customer a contract document, in a durable medium and containing all the terms of the contract, within 5 business days after finalising the contract.

### **6.5.2 Non-investment insurance—renewals**

- (1) If an authorised firm has finalised a non-investment insurance contract with or for a customer, the firm must give the customer sufficient advance notice of the end of the term of the contract to allow the customer to consider whether to continue the cover. If the customer is a retail customer, *sufficient notice* is at least 21 calendar days before the day on which the term of the contract ends.
- (2) Subrule (1) does not apply in the following cases:
  - (a) the contract is for a term of less than 1 calendar month;
  - (b) the firm has reason to believe that the customer does not wish to renew the contract, or renew the contract through the firm;
  - (c) the firm has told the customer that it does not wish to act for the customer on renewal;
  - (d) the customer has already been told that the insurer will not invite the customer to renew the contract;
  - (e) the customer asks for an extension of the contract for a term that is shorter than the term of the original contract.

- (3) If the customer is a retail customer, the firm must do 1 of the following before the start of the 21-calendar-day period mentioned in subrule (1):
  - (a) if the firm is willing to renew the contract—give the customer, in a durable medium, information about renewal terms (see subrule (4));
  - (b) if the insurer is not willing to renew the contract—inform the customer;
  - (c) if the firm no longer deals with the insurer, inform the customer.
- (4) The information that the firm must give the customer about renewal is the following:
  - (a) a statement of any changes to the terms of the contract;
  - (b) an explanation of the changes, if necessary;
  - (c) the total amount of the premium for the contract or, if the premium cannot be stated, how the customer can calculate the total amount;
  - (d) whether there will be a right to cancel the contract, and, if there would be such a right, how to cancel the contract and the consequences of doing so;
  - (e) a prominent statement of the customer’s right to ask for a new policy document.

### **6.5.3 Non-investment insurance—mid-term changes**

- (1) This rule applies if:
  - (a) an authorised firm has finalised a non-investment insurance contract with or for a customer; and
  - (b) during the term of the contract, either of the following happens:
    - (i) the terms of the contract change (or are proposed to change);
    - (ii) the premium or any other amount payable by the customer under the contract changes (or is proposed to change)

otherwise than because of the operation of a formula previously disclosed to the customer.

- (2) The firm must inform the customer about the change (or proposed change), in a durable medium, within a reasonable time before the change takes effect.
- (3) If the change is in the terms of the contract other than premium, the firm must explain, in a durable medium, the implications of the change when informing the customer about the change.
- (4) If the change is at the customer's request, the customer is a retail customer and it is impracticable to explain the implications of the change in a durable medium before the change takes effect, the firm must take reasonable steps to give the explanation orally to the customer before the change takes effect.
- (5) If the change is at the customer's request, the firm must pay any amount owing to the customer under the contract to the customer without delay.

#### **6.5.4 Non-investment insurance—claims handling by insurance intermediaries**

- (1) An authorised firm must act with appropriate care, skill and diligence in acting for a customer in relation to a claim on a non-investment insurance contract.
- (2) An authorised firm must not, in relation to a claim on a non-investment insurance contract, do either of the following:
  - (a) put itself in a position where its own interest, or its duty to any person for whom it acts, conflicts with its duty to a customer, unless:
    - (i) it properly disclosed to the customer all the information needed to enable the customer to give informed agreement to the arrangement; and
    - (ii) it has obtained the customer's prior informed agreement;

- (b) decline to act for the person or customer unless, in the particular circumstances of the case, disclosure and informed agreement are insufficient to reconcile the conflict.
- (3) If an authorised firm acts for an insurer and not a customer in relation to a claim on a non-investment insurance contract that it arranged, the firm must instruct the customer that, in relation to the claim, it is acting on behalf of the insurer, and not the customer.

**Guidance**

Subrule (3) would apply, for example, if an authorised firm has delegated authority for claims handling and deals with a claim in relation to a contract that it sold to a customer, but is not acting for the customer in relation to the claim.

- (4) If an authorised firm is notified of a claim on a non-investment insurance contract that it arranged, and the insurer has not given it authority to deal with the claim, the firm:
  - (a) must forward the notification to the insurer promptly; and
  - (b) must inform the customer immediately that it cannot deal with the notification.

**6.5.5 Non-investment insurance—fees and charges not to be excessive**

An authorised firm must ensure that its fees and charges (including commissions received from an insurer) to a retail customer for the conduct of insurance mediation business in relation to a non-investment insurance contract are not excessive.

**6.5.6 Non-investment insurance—communication with joint policyholders**

If a contract of insurance is effected by 2 or more policyholders, information that must be given to a policyholder under a rule of this Chapter may be given only to the policyholder named first in the contract.

**6.5.7 Non-investment insurance—group policies**

An authorised firm must do the following things promptly after finalising a group policy:

- (a) give the policyholder a contract document that contains the terms of the contract;
- (b) instruct the policyholder (in a durable medium) to inform each person covered by the contract that a copy of the document is available from the policyholder on request;
- (c) either:
  - (i) give a copy of the relevant key information document to each person covered by the contract; or
  - (ii) instruct the policyholder (in a durable medium) to give a copy of that document to each such person;
- (d) if the contract replaces a previous group policy—instruct the policyholder to inform each person covered by the contract about any changes to the information in the policy summary.

**6.5.8 Non-investment insurance—execution-only business**

- (1) An authorised firm may sell a non-investment insurance contract to a customer on an execution-only basis. However, the firm must inform the customer, in a durable medium, that the firm has not advised the customer in relation to the contract.
- (2) An authorised firm must not sell a non-investment insurance contract to a customer on an execution-only basis if, on the basis of the information available to the firm, the contract may be unsuitable for the customer.

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## Part 6.6 Cancelling insurance contracts

### 6.6.1 Cancellation terms—general

- (1) Every insurance contract that is issued or sold by an authorised firm must include terms allowing the policyholder to cancel it. The terms must be fair to customers and reasonable and appropriate for the product.
- (2) The terms must be clearly stated in the contract document. For a policyholder who is a retail customer, the contract document must set out:
  - (a) the terms allowing the policyholder to cancel the contract;
  - (b) the notice requirements, including the notice period; and
  - (c) statements of whether any refund of premium would be due on cancellation, how any refund would be calculated and in what circumstances a refund would be payable.
- (3) After a retail customer cancels a policy, the authorised firm concerned must pay any amount due to the customer without delay and no later than 20 business days after the day on which the contract was cancelled.

### 6.6.2 Life insurance contracts and retail customers—right to cancel during free look period

- (1) This rule applies to all life insurance contracts, whether or not they have an investment element.
- (2) A retail customer has a right to cancel a life insurance contract within the free look period.
- (3) The *free look period* is 15 business days beginning on the business day after the day on which the customer receives the final contract document.
- (4) The right to cancel ceases if the customer makes a claim within the free look period.

**6.6.3 Life insurance contracts and retail customers—right to cancel on variation**

- (1) This rule applies to all life insurance contracts, whether or not they have an investment element.
- (2) If a life insurance contract held by a retail customer is varied, then, unless the variation is the result of an option pre-selected by the customer, the customer has a right to cancel the contract within 15 business days after the day on which the customer receives the final varied contract document.

**6.6.4 Exercising right to cancel**

- (1) A retail customer may exercise the right to cancel under rule 6.6.2 or 6.6.3 by giving notice in a durable medium to the authorised firm concerned. The notice need not use any particular form of words and it is sufficient if the intention to exercise the right is reasonably clear from the notice, or from the notice and the surrounding circumstances.
- (2) The notice need not give reasons for exercising the right.
- (3) The right to cancel ceases if the customer does not exercise it by notifying the firm in accordance with subrule (1) within the period specified in rule 6.6.2 or 6.6.3.

**6.6.5 Consequences of cancellation**

- (1) If a retail customer exercises a right under rule 6.6.2 or rule 6.6.3 to cancel a life insurance contract, the insurer concerned must refund the premiums paid by the customer except that:
  - (a) the insurer may deduct any expenses for any relevant medical examination, and a proportionate premium for the period of cover; and
  - (b) for a unit-linked plan, the insurer may make an appropriate adjustment to take account of changes in the unit price.



- (2) The refund must be paid to the customer without delay and no later than 20 business days after the day on which the cancellation right is exercised.

## Part 6.7 Claims handling

### 6.7.1 Claims handling—general requirements

- (1) An authorised firm must have a procedure, recorded in a durable medium, for the effective and proper handling of claims. The procedure must include all the steps from the claim being raised to its settlement.
- (2) An authorised firm that handles claims must do so fairly and promptly, and must keep the customer concerned informed about the progress of a claim.
- (3) If an authorised firm effects an insurance contract with or for a customer, it must give the customer reasonable guidance in making a claim under the contract, and information about the process. The guidance must not impede a policyholder in making a claim that the policyholder is entitled to make.
- (4) A QFC insurer:
  - (a) must respond promptly to a claim;
  - (b) must acknowledge the receipt of a claim, and must give notice of any missing information or documents promptly after receiving the relevant claim form;
  - (c) must not unreasonably reject a claim; and
  - (d) must keep the policyholder reasonably informed about the progress of the claim.

#### **Guidance**

If the investigation of a claim is likely to be protracted, the insurer should give periodic progress or status reports, when appropriate, to the policyholder. The authorised firm should also respond without excessive delay to any reasonable request by the retail customer for information.

- (5) The insurer must notify the policyholder in a durable medium of the acceptance or refusal of the claim promptly after completing the investigation.
- (6) If a claim is accepted or partly accepted, the notice must set out the settlement amount, how the settlement amount was reached and (if applicable) the reasons why a reduced settlement is offered or any part of the claim is not accepted.
- (7) If the claim is denied, the notice must set out the reasons. The insurer must give the policyholder copies of documents or information used in reaching the decision, if the policyholder so requests.
- (8) If the policyholder does not accept a settlement offered, the insurer must explain, in a durable medium, the insurer's complaints-handling process and the customer dispute resolution scheme.
- (9) A QFC insurer must appoint a registered loss adjuster when necessary, and must notify the policyholder concerned about the appointment (giving the loss adjuster's contact details) within 3 business days.

### **6.7.2 Claims handling—long term care insurance contracts**

- (1) If a QFC insurer receives a claim under a long term care insurance contract, it must respond promptly by providing the policyholder, or the person acting for the policyholder, with:
  - (a) a claim form, if the insurer requires a claim form to be completed;
  - (b) a summary of the insurer's claims-handling procedures; and
  - (c) appropriate information about the medical criteria that must be met and any waiting period that applies under the terms of the contract.
- (2) As soon as practicable after receiving the claim, the insurer must inform the policyholder, or the person acting for the policyholder:
  - (a) for each part of the claim that it accepts—whether the claim will be settled by paying the policyholder, by paying another person

to provide goods or services, or by providing goods and services; and

- (b) for any part of the claim that it rejects—why the claim has been rejected and whether any future rights to claim exist.

### **6.7.3 Payment of claims**

A QFC insurer must make a settlement payment promptly after accepting or partly accepting a claim.

## **Part 6.8 Premium rebates**

### **6.8.1 Dealing with premium rebates**

- (1) A QFC insurer must pay a premium rebate to a retail customer within 5 business days of the rebate becoming due. The rebate becomes due as soon as the insurer becomes aware of the circumstances that give rise to the rebate.
- (2) A QFC insurance intermediary may handle premium rebates due to a retail customer only if the intermediary's authorisation permits it to hold client money.

*Note* For the rules about holding client money, see the *Insurance Mediation Business Rules 2011*.

- (3) A QFC insurance intermediary may not make any deductions from a premium rebate.

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## Chapter 7      Deposit-taking business

### 7.1.1      Application of Chapter 7

This Chapter applies to an authorised firm in its dealings with customers (other than eligible counterparties).

### 7.1.2      Definitions

In these rules:

*deposit* means the specified product described in FSR, Schedule 3, Part 3, paragraph 11.

*deposit-taking* means the regulated activity described (as deposit taking) in FSR, Schedule 3, Part 2, paragraph 1.

*deposit-taking business* means the business of engaging in deposit-taking.

### 7.1.3      Initial disclosure document—additional requirements

After the information required by rule 4.4.2, the initial disclosure document for an authorised firm that proposes to conduct deposit-taking business must set out the following information in the following order:

- (a) the firm's money-transfer terms, including, if appropriate:
  - (i) how fees are calculated;
  - (ii) how fees are to be paid and collected;
  - (iii) how frequently fees are to be paid; and
  - (iv) whether any other payment is receivable by the firm (or to its knowledge by any of its associates) instead of fees in relation to a transaction executed by the firm with or for the customer;
- (b) the firm's terms about interest on deposits, including, if appropriate:
  - (i) how interest is calculated;

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- (ii) how interest is charged and paid; and
- (iii) how frequently interest is charged and paid;
- (c) the arrangements for customers to give instructions to the firm and the firm to acknowledge the instructions.

## Chapter 8 Recordkeeping

### 8.1.1 Application of Chapter 8

This Chapter applies to all authorised firms in all circumstances.

### 8.1.2 Obligation to keep records

An authorised firm must maintain complete and readily accessible records.

### 8.1.3 Records that must be kept

- (1) An authorised firm must ensure that all instructions to it from or on behalf of a customer are recorded. The record must include the dates of both the receipt and the transmission of the instruction.
- (2) An authorised firm must ensure that it records any decision that it makes, in the exercise of its discretion, on behalf of a customer in relation to a product.
- (3) An authorised firm must ensure that, if it accepts an instruction from a customer that is subject to a condition imposed by the customer, it makes a record of the condition.
- (4) An authorised firm must maintain a list of its customers who are customers as defined by these rules.
- (5) An authorised firm must maintain up-to-date records containing at least the following for each customer:
  - (a) a copy of all the documents required for the customer's identification and profile;
  - (b) contact details;
  - (c) all information and documents prepared in compliance with these rules;
  - (d) details of products and services provided to the customer;

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- (e) all correspondence with the customer and details of any other information provided to the customer in relation to a product or service;
- (f) all documents completed or signed by the customer;
- (g) copies of every original document submitted by the customer in support of an application for the provision of a service or product;
- (h) all other relevant information about the customer.

**8.1.4 How long records must be retained**

- (1) An authorised firm must retain details of a transaction for 10 years after the date on which the transaction is discontinued or completed.
- (2) An authorised firm must retain all other records for the longer of:
  - (a) 6 years from the date on which the firm last provided any product or service to the customer concerned; and
  - (b) if another provision of these rules requires a different period for a particular record—that other period.



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## Schedule 1      Packaged investment products—key Information document

(see rule 5.4.3)

### S1.1      Opening statement

The following statement must appear at the beginning of the document:

*This document provides you with important information about [name of packaged investment product]. It is not marketing material. We are required by the Qatar Financial Centre Regulatory Authority to provide this information to you to help you understand the nature and the risks of investing in this product.*

*You are about to buy a product that is not simple, and may be difficult to understand.*

*You are advised to read this document so you can make an informed decision about whether to invest in this product.*

### S1.2      Headings and information

#### A. General information

- (a) the authorised firm's name and address;
- (b) if the authorised firm is not the product provider, the name of and the address of the product provider;
- (c) the name of the product;

(d) either of the following statements about the firm’s authorisation:

(i) “Authorised by the Qatar Financial Centre Regulatory Authority”;

(ii) “Authorised by the QFC Regulatory Authority”;

*Note*      Either of these statements is also required in the firm’s business documents—see GENE, rule 3.1.2.

(e) if the authorised firm is not the product provider, information about the regulatory status of the product provider;

(f) the date of the document (or of its most recent version).

**B. What is this product?**

(a) information about the type of the product;

(b) information about the objectives of the product and the means for achieving them (in particular, whether the objectives are achieved by direct or indirect exposure to the underlying investment assets) and including:

- a description of the underlying instruments or reference values;
- a specification of the markets that the product invests in;
- any specific environmental or social objectives of the product;

(c) how the return is determined;

(d) if the product offers a range of options for investments, and all the information required by this Schedule about each option cannot be provided in a single document—a general description of those options, and a statement of where and how more detailed information about the options can be found;

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- (e) a statement of whether income from the product will be distributed or reinvested;
  - (f) a description of the type of investor to whom the product is intended to be marketed, in particular in terms of the investor's ability to bear investment loss and the investment horizon;
  - (g) if the product offers insurance benefits, details of those benefits, including the circumstances that would trigger them;
  - (h) the term of the product (unless it is open-ended, and if so a statement of that fact);
  - (i) whether or not the product is Shari'a-compliant.

**C. What are the risks and what could I get in return?**

- (a) a summary risk indicator, with a narrative explanation of that indicator and its main limitations, and a narrative explanation of the risks that are materially relevant to the product and are not adequately captured by the summary risk indicator;
- (b) the possible maximum loss of invested capital, including information on:
  - whether a retail investor can lose all the invested capital;
  - whether the investor bears the risk of incurring additional financial commitments or obligations, including contingent liabilities, in addition to the capital invested in the product;
  - whether the product includes capital protection against market risk, and the details of any cover and its limitations, in particular as to the timing of when it applies;
- (c) appropriate performance scenarios, and the assumptions made to produce them;

- (d) information on any conditions for returns to retail investors or built-in performance caps;
- (e) a statement that the tax law of the investor's jurisdiction of residence (including, if relevant, at the maturity of the term of the product) may affect the actual payout.

**D. What happens if (name of product provider) is unable to pay out?**

A brief statement of whether the loss is covered by an investors' or policyholders' compensation or guarantee scheme and if so:

- (a) which scheme it is;
- (b) the name of the guarantor;
- (c) what risks are covered by the scheme and what are not; and
- (d) the level of compensation that could be paid.

**E. What are the costs?**

Information on the costs of an investment in the product (comprising both direct and indirect costs to be borne by the investor, including one-off and recurring costs) presented by means of summary indicators of those costs and, to ensure comparability between products, total aggregate costs expressed in monetary and percentage terms, to show the compound effects of the total costs on the investment

A clear statement that advisors, distributors or any other person advising on or selling the product will provide information about any cost of distribution that is not already included in the costs specified above, so as to enable the investor to understand the cumulative effect of those costs on the return of the investment.

**F. How long should I hold it and can I take out money early?**

Information on:

- (a) whether there is a cooling-off period or cancellation period for the product;

- (b) the recommended minimum holding period and any required minimum holding period (if the product imposes an early withdrawal penalty (for example, for the cancellation of the initial units in a unit-linked product), the recommended minimum holding period should be at least as long as the period during which the penalty applies);
- (c) the ability to make, the conditions for, and the costs of any disinvestments before maturity, including all applicable fees and penalties, having regard to the risk and reward profile of the product and the market evolution it targets;
- (d) if the product is a life insurance contract, a description and illustration of the surrender value for each year of the contract
- (e) information about the consequences of cashing in before the end of the term or recommended holding period, such as the loss of capital protection or additional contingent fees.

**G. How can I complain?**

Information about how and to whom the investor can make a complaint about the product, or the conduct of the product provider, or (if applicable) a person or firm advising on, or selling, the product.

**H. Other relevant information**

If an investment in the product is exposed to risk factors such as the use of leverage or derivatives, liquidity risk, counterparty risk, political risk or currency risk, an explanation of those risk factors

A brief indication of any additional information documents (not marketing material) to be provided to the investor at the pre-contractual or post-contractual stage

If the product is a life insurance contract, the key information document must include:

- an explanation of any differences between the cancellation rights (if any) applying to the product (including the length of any period to exercise the rights) and those that would be provided under these rules if the insurer were a QFC insurer; and
- a warning to the effect that the claims-handling procedures for the product may differ from those provided under these rules.

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## Glossary

(see r 1.1.4)

**advertisement:** see rule 4.2.1.

**associate** of a person (**A**) means any of the following:

- (a) if A is a legal person—a legal person in the same corporate group as A;
- (b) any other person whose business or domestic relationship with A might reasonably be expected to give rise to a community of interest between them that may involve a conflict of interest in dealing with third parties.

*Note* **Legal person**, **corporate group** and **person** are defined in this glossary.

**authorisation** means an authorisation granted under FSR, Part 5.

**authorised firm** means a person that has an authorisation.

**business day** means a day that is not a Friday, Saturday, or a public or bank holiday in Qatar.

**business customer:** see rule 1.2.3.

**calendar month** means a period beginning at the start of any day of one of the 12 named months of the year and ending:

- (a) at the end of the day before the corresponding day of the next named month; or
- (b) if there is no corresponding day—at the end of the last day of next named month.

**carrying out contracts of insurance:** see rule 6.1.2.

**company** means:

- (a) a company incorporated under the Companies Regulations of the QFC; or
- (b) a legal person incorporated under the law of a jurisdiction outside the QFC, the liability of each of member of which

is limited to the amount of the member's capital contribution or guarantee.

**complaint:** see rule 3.8.1.

**compliance officer** for an authorised firm means the individual who exercises the compliance oversight function (as described in CTRL, rule 1.2.13) for the firm.

**COND** means the *Conduct of Business Rules 2007*, as in force at any time before 1 January 2020.

**contract of insurance:** see rule 6.1.2.

**corporate group** means the following:

- (a) a legal person (A);
- (b) any parent entity of A;
- (c) any subsidiary (direct or indirect) of A or of any parent entity of A.

*Note* **Legal person, parent entity** and **subsidiary** are also defined in this glossary.

**CTRL** means the *Governance and Controlled Functions Rules 2020*.

**customer:** see rule 1.2.1.

**customer dispute resolution scheme** means the scheme by that name established under the *Customer Dispute Resolution Scheme Rules 2019*.

**day** means a period of 24 hours starting at midnight.

**deposit:** see rule 7.1.2.

**deposit-taking:** see rule 7.1.2.

**deposit-taking business:** see rule 7.1.2.

**durable medium** means a medium that:

- (a) allows information to be addressed personally to the recipient;



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(b) enables the recipient to store information in a way that is accessible for future reference and for a period of time adequate for the purposes of the information; and

(c) allows the information to be reproduced unchanged.

**effecting contracts of insurance:** see rule 6.1.2.

**eligible counterparty:** see rule 1.2.10.

**employee** of an authorised firm means an individual who is the firm's employee for the purposes of the Employment Regulations of the QFC.

**entity** means any kind of entity, and includes, for example, any person.

**execute** a transaction includes:

(a) to carry the transaction into effect or perform it; and

(b) to instruct another person to execute it.

**FSR** means the *Financial Services Regulations*.

**GENE** means the *General Rules 2005*.

**general insurance contract:** see rule 6.1.2.

**governing body:** an authorised firm's governing body is:

(a) in the case of such a firm that is a company or limited liability partnership incorporated in the QFC, or a partnership constituted under the *Partnership Regulations 2007*—its board of directors or the body (whatever it is called) that, under the firm's constitutional document, has the responsibility of overseeing the firm's business in or from the QFC; and

(b) in the case of a firm that is a branch:

(i) that part of the board of directors of the firm that has the responsibility of overseeing the firm's business in or from the QFC;

- (ii) if the firm does not have that part of the board described in subparagraph (i)—that part of the firm’s membership, committee of management or other body (whatever it is called) that has the responsibility of overseeing the firm’s business in or from the QFC; or
- (iii) if the firm does not have the board or body described in subparagraphs (i) and (ii)—the person or persons delegated by the board, membership, committee or other body with the responsibility of overseeing the firm’s business in or from the QFC.

**group policy** means an insurance contract that covers a defined group of persons (for example, the members of a society or professional body, or the employees of an employer).

**initial disclosure document**: see rule 4.4.1.

**insurance business**: see rule 6.1.2.

**insurance mediation business**: see rule 6.1.2.

**investment advice**: see rule 5.1.2.

**investment business**: see rule 5.1.2.

**investment intermediary**: see rule 5.1.2.

**investment manager**: see rule 5.1.2.

**investment mediation business**: see rule 5.1.2.

**issuer** means:

- (a) for a security other than a unit in a collective investment scheme—the person that issued, or is to issue, the security;
- (b) for a unit in a collective investment scheme—the operator (within the meaning given by the *Collective Investment Schemes Rules 2010*, rule 1.2.8) of the scheme; and
- (c) for a certificate or another instrument that gives contractual or property rights (other than rights consisting of options) in relation to any share, debt instrument, government or public

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security, or warrant—the person that issued, or is to issue, the security to which the instrument relates.

**jurisdiction** means any kind of legal jurisdiction, and includes, for example:

- (a) the State of Qatar;
- (b) a foreign country (whether or not an independent sovereign jurisdiction), or a state, province or other territory of a foreign country; and
- (c) the QFC or a similar jurisdiction.

**key information document**: see rule 5.4.1.

**legal person** means an entity (other than an individual) on which the legal system of a jurisdiction confers rights and imposes duties, and includes, for example, any entity that can own, deal with or dispose of property.

**life insurance contract**: see rule 6.1.2.

**long term care insurance contract**: see rule 6.1.2.

**long term insurance contract**: see rule 6.1.2.

**managing investments**: see rule 5.1.2.

**material interest**: see rule 3.5.1.

**non-investment insurance contract**: see rule 6.1.2.

**overseas regulator** means a regulatory or governmental authority, body or agency in a jurisdiction outside the QFC (whether in the State of Qatar or elsewhere).

**packaged investment product**: see rule 5.1.2.

**parent entity**, for a legal person (A), means any of the following:

- (a) a legal person that holds a majority of the voting power in A;
- (b) a legal person that is a member of A (whether direct or indirect, or through legal or beneficial entitlement) and

- alone, or together with 1 or more legal persons in the same corporate group, holds a majority of the voting power in A;
- (c) a parent entity of any legal person that is a parent entity of A.

*Note* **Legal person** and **corporate group** are defined in this glossary.

**person** means:

- (a) an individual (including an individual occupying an office or position from time to time); or
- (b) a legal person.

**pure protection contract**: see rule 6.1.2.

**QFC** means Qatar Financial Centre.

**QFC insurance intermediary** means an authorised firm that is an insurance intermediary.

**QFC insurer** means an authorised firm that is an insurer.

**regulated activity** means an activity that is a regulated activity under FSR.

*Note* See FSR, article 23 (1) and Schedule 3, Part 2; the *Islamic Banking Business Prudential Rules 2015*, rule 1.1.4; and the *Investment Management and Advisory Rules 2014*, rule 1.1.3A.

**regulated exchange** means an exchange:

- (a) that is incorporated or otherwise established in a jurisdiction outside the QFC; and
- (b) that is regulated as an exchange by an overseas regulator in that jurisdiction.

**regulated financial institution** means a person that is not an authorised firm but is authorised, in a jurisdiction outside the QFC, by an overseas regulator to carry on a financial service.

**Regulatory Authority** means the Qatar Financial Centre Regulatory Authority.

**remuneration** means remuneration in any form, including benefits of any kind.

**retail customer:** see rule 1.2.2.

**risk management officer** for an authorised firm means the individual who exercises the risk management function (as described in CTRL, rule 1.2.12) for the firm.

**soft commission agreement:** see rule 3.5.10.

**specified product:** see rule 5.1.2.

**subsidiary:** a legal person (**A**) is a subsidiary of another legal person (**B**) if B is a parent entity of A.

*Note* **Legal person** and **parent entity** are defined in this glossary.

**tied agent** means a QFC insurance intermediary that represents only 1 insurer and is able to advise only on the policies offered by that insurer.

## 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

#### **Customer and Investor Protection Rules 2019**

*made by*

#### **Customer and Investor Protection Rules 2019 (QFCRA Rules 2019-2)**

Made 26 March 2019

Commenced 1 January 2020

Version No. 1

#### **Minor and Technical Amendments Rules 2020 (QFCRA Rules 2020-1)**

Made 8 July 2020

Commenced 15 August 2020

Version No. 2

#### **CTRL Repeal, ISFI Partial Repeal and Consequential Amendments Rules 2021 (QFCRA Rules 2021-1, sch 1, pt 1.4)**

Made 23 June 2021

Commenced 1 July 2021

Version No.3

### 3 Amendment history

#### **Service standards**

rule 3.8.5 am Rules 2020-1

#### **Systems and controls generally**

r 3.2.2 g am Rules 2021-1

#### **Meaning of material interest**

r 3.5.1 g am Rules 2021-1

#### **Advertisements—compliance confirmation**

r 4.2.2 am Rules 2021-1

#### **Glossary**

##### def ***compliance officer***

sub Rules 2021-1

##### def **CTRL**

sub Rules 2021-1

##### def ***risk management officer***

sub Rules 2021-1