



QATAR FINANCIAL CENTRE

**REGULATORY
AUTHORITY**

Miscellaneous Amendments Rules 2015

QFCRA Rules 2015-1

The Board of the Qatar Financial Centre Regulatory Authority makes the following rules, and gives the following guidance, under the *Financial Services Regulations*.

Dated 13 June 2015.

Abdulla Saoud Al-Thani
Chairman



QATAR FINANCIAL CENTRE

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AUTHORITY**

Miscellaneous Amendments Rules 2015

QFCRA Rules 2015-1

made under the

Financial Services Regulations

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1 Name of rules

These rules are the *Miscellaneous Amendments Rules 2015*.

2 Commencement

These rules commence on 1 July 2015.

3 Rules amended

These rules amend the Rules mentioned in Schedules 1 to 6.

4 Explanatory notes

An explanatory note in these rules is not part of these rules.

Schedule 1 Amendments relating to technical provision risk and insurance concentration risk components

(see r 3)

Part 1.1 Captive Insurance Business Rules 2011

[1.1] Rule 2.2.1 (2) (c)

substitute

- (c) the outstanding claims risk component under rule 2.2.4 or rule 2.2.5.

Explanatory note

This amendment and the next 11 amendments substitute the more accurate term ‘outstanding claims risk component’ for ‘technical provision risk component’.

[1.2] Rule 2.2.4, heading

substitute

2.2.4 Outstanding claims risk component—firms conducting general insurance business

[1.3] Rule 2.2.4 (1)

omit

technical provision risk component

insert

outstanding claims risk component

-
- [1.4] Rule 2.2.5, heading**
substitute
- 2.2.5 Outstanding claims risk component—firms conducting life insurance business**
- [1.5] Rule 2.2.5**
omit
technical provision risk component
insert
outstanding claims risk component
- [1.6] Rule 2.2.5, note**
omit
and technical provision risk components
insert
component and outstanding claims risk component
- [1.7] Rule 2.2.5, note, second and third tables**
omit
Technical provision risk component
insert
Outstanding claims risk component
- [1.8] Rule 5.1.7 (1) (b)**
substitute
(b) its outstanding claims risk component.
- [1.9] Rule 5.1.9, heading**
substitute
- 5.1.9 Outstanding claims risk component—cells conducting general insurance business**

[1.10] Rule 5.1.9 (1)

omit

technical provision risk component

insert

outstanding claims risk component

[1.11] Rule 5.1.10, heading

substitute

5.1.10 Outstanding claims risk component—cells conducting life insurance business

[1.12] Rule 5.1.10

omit

technical provision risk component

insert

outstanding claims risk component

Part 1.2 Insurance Business Rules 2006

[1.13] Rule 3.6.1 (b)

substitute

(b) outstanding claims risk component;

Explanatory note

This amendment substitutes the more accurate term ‘outstanding claims risk component’ for ‘technical provision risk component’.

[1.14] Rule 3.7.1, note

omit

Explanatory note

This amendment removes an erroneous note.

[1.15] After rule 3.7.1 (1) (b)

insert

Note Technical provisions must cover all insurance liabilities of the insurer, including outstanding claims liabilities (whether or not reported), future claims (premium liabilities) and any reserves held by the insurer for the purpose of meeting insurance liabilities.

Explanatory note

This amendment inserts a note about what are to be covered by technical provisions.

[1.16] Part A3.8, heading

substitute

Part A3.8 Outstanding claims risk component

Explanatory note

This amendment and the next 5 amendments substitute the more accurate term ‘outstanding claims risk component’ for ‘technical provision risk component’.

[1.17] Part A3.8, guidance

omit

technical provision risk component

insert

outstanding claims risk component

[1.18] Rule A3.8.2, heading

substitute

A3.8.2 Outstanding claims risk component

[1.19] Rule A3.8.2 (1)

omit

technical provision risk component

insert

outstanding claims risk component

[1.20] Table A3.8.2, heading

omit

technical provision risk component

insert

outstanding claims risk component

[1.21] Rule A3.8.4 (1)

omit

a technical provision risk component

insert

an outstanding claims risk component

[1.22] Rule A3.10.2 (1)

omit

that is protected by catastrophe reinsurance cover

Explanatory note

This amendment removes a superfluous condition for the application of rule A3.10.2.

[1.23] Rule A3.10.2 (2) and (3)

substitute

- (2) An insurer must seek advice from its approved actuary about estimating its MER if the insurer:
- (a) issues policies that do not have a maximum amount insured;
 - (b) insures risks in multiple lines of business; or
 - (c) has a complex portfolio of insurance risks.

Explanatory note

This amendment sets out the instances when an insurer must seek advice from its approved actuary in estimating its maximum event retention.

Schedule 2 Amendments relating to conversion of US dollar amounts to Qatari riyals

(see r 3)

Part 2.1 Captive Insurance Business Rules 2011

[2.1] After rule 2.1.1

insert

2.1.2 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.

Explanatory note

This amendment inserts a provision to allow authorised firms to hold an amount required under these rules in a currency other than Qatari riyals.

[2.2] Rule 2.2.2 (a) to (d)

substitute

- (a) for a class 1 captive insurer—QR540,000;
- (b) for a class 2 captive insurer—QR1.4 million unless the Regulatory Authority determines another amount for the firm;
- (c) for a class 3 captive insurer—QR900,000; or
- (d) for a class 4 captive insurer—QR3.6 million unless the Regulatory Authority determines another amount for the firm.

Explanatory note

This amendment and the next 5 amendments convert amounts denominated in US dollars to Qatari riyals.

[2.3] Rule 2.2.3

omit

US \$5 million

insert

QR18 million

[2.4] Rule 2.2.5, note, first table

omit

US \$5 million

insert

QR18 million

[2.5] Rule 5.1.2 (a)

substitute

(a) QR180,000; or

[2.6] Rule 5.1.8

omit

US \$5 million

insert

QR18 million

[2.7] Rule 5.1.9, example

substitute

Example

Suppose PCC Limited is a protected cell company that is authorised as a class 4 captive insurer. Cell 1 of PCC Limited conducts captive insurance business as a class 3 captive insurer. Cell 1 has no recourse to non-cellular assets. Under rule 5.1.6 (2), therefore, Cell 1 must satisfy the risk-based minimum solvency requirement as follows.

Supposing its net written premium to be QR30 million, its premium risk component (see rule 5.1.8) is:

$$(20\% \times \text{QR18m}) + (15\% \times \text{QR12m}) = \text{QR3.6m} + \text{QR1.8m} = \text{QR5.4m}$$

Supposing its net claims reserve on property insurance under general insurance contracts in categories 3 to 9 is QR8 million and its net claims reserve on liability

insurance under the other categories of general insurance contracts is QR20 million. Then its outstanding claims risk component (see rule 5.1.9) is:

$$(5\% \times \text{QR}8\text{m}) + (15\% \times \text{QR}20\text{m}) = \text{QR}400,000 + \text{QR}3\text{m} = \text{QR}3.4\text{m}$$

Because its premium risk component (QR5.4m) is higher than its outstanding claims risk component (QR3.4m), its risk-based minimum solvency requirement for Cell 1 (see rule 5.1.7) is that the total amount of its cellular assets must be higher than its cellular liabilities by:

at least QR5.4m

Part 2.2 Insurance Mediation Business Rules 2011

[2.8] After rule 2.1.4

insert

2.1.5 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.

Explanatory note

This amendment inserts a provision to allow authorised firms to hold an amount required under these rules in a currency other than Qatari riyals.

[2.9] Rule 2.2.2 (a) to (c)

substitute

- (a) for a captive insurance manager that is not also an insurance intermediary—QR180,000;
- (b) for an insurance intermediary that is not permitted to hold client money—QR900,000; or
- (c) for an insurance intermediary that is permitted to hold client money—QR1.8 million.

Explanatory note

This amendment and the next 6 amendments convert amounts denominated in US dollars to Qatari riyals.

[2.10] Rule 2.3.3 (3) (a)

substitute

(a) for a single claim—QR3.6 million; and

[2.11] Rule 2.3.3 (3) (b) (i)

substitute

(i) QR5.4 million;

[2.12] Rule 2.3.3 (5) (a)

substitute

(a) QR18,000;

[2.13] Rule 2.3.3 (6) (a)

substitute

(a) QR36,000;

[2.14] Rule 2.3.4 (2) and (3)

omit

US \$10 million.

insert

QR36 million.

[2.15] Glossary, definition of eligible bank

omit

US \$10 million

insert

QR36 million

Part 2.3 Insurance Business Rules 2006

[2.16] After rule 3.2.4

insert

3.2.5 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.

Explanatory note

This amendment inserts a provision to allow authorised firms to hold an amount required under these rules in a currency other than Qatari riyals.

[2.17] Rule 3.3.1 (a)

substitute

(a) QR36 million; and

Explanatory note

This and the next amendment convert amounts denominated in US dollars to Qatari riyals.

[2.18] Table A3.2.1A, item 10

omit

US \$1,000)

insert

QR3,600)

Schedule 3 Amendments relating to anti-money laundering

(see r 3)

Part 3.1 Anti-Money Laundering and Combating Terrorist Financing Rules 2010

[3.1] Rule 2.1.1 (3) (d)

substitute

- (d) an independent review and testing of the firm's compliance with its AML/CFT policies, procedures, systems and controls in accordance with subrule (4);

Explanatory note

This amendment and the next 2 amendments clarify the review and testing of the firm's compliance with its AML/CFT policies, procedures, systems and controls.

[3.2] After rule 2.1.1 (3)

insert

- (4) The review and testing of the firm's compliance with its AML/CFT policies, procedures, systems and controls must be adequately resourced and must be conducted at least once every 2 years. The person making the review must be professionally competent, qualified and skilled, and must be independent of:
- (a) the function being reviewed; and
 - (b) the division, department, unit or other part of the firm where that function is performed.

Note The review and testing may be conducted by the firm's internal auditor, external auditor, risk specialist, consultant or an MLRO from another branch of the firm. Testing would include, for example, sample testing the firm's AML/CFT programme, screening of employees, record making and retention and ongoing monitoring for customers.

[3.3] Rule 2.2.2 (1) (d), including guidance

substitute

- (d) that independent review and testing of the firm's compliance with its AML/CFT policies, procedures, systems and controls are conducted in accordance with rule 2.1.1 (4);

[3.4] After rule 2.2.2 (1) (h)

insert

Guidance

The Regulatory Authority expects a firm's senior management to ensure that there is an AML/CFT culture within the firm where:

- senior management consistently enforces a top-down approach to its AML/CFT responsibilities;
- there is a demonstrable and sustained firm-wide commitment to the AML/CFT principles and compliance with the AML/CFT Law, these rules and the firm's AML/CFT policies, procedures, systems and controls;
- AML/CFT risk management and regulatory requirements are embedded at all levels of the firm and in all elements of its business or activities.

Explanatory note

This amendment inserts guidance about a firm's AML/CFT compliance culture.

[3.5] Rule 2.3.7 (2)

substitute

- (2) However, the MLRO must give the senior management a report that complies with rule 2.3.8 (Minimum annual report by MLRO) for each calendar year. The report must be given in time to enable compliance with rule 2.3.9 (2).

Explanatory note

This amendment changes the requirement for the MLRO to give a report for each calendar year (instead of financial year).

[3.6] Rule 2.3.8 (1)

omit

financial year of the firm

insert

calendar year

Explanatory note

This amendment changes the requirement for the MLRO to give a report for each calendar year (instead of financial year).

[3.7] Rule 2.3.9 (2), including example

substitute

- (2) For the report that must be given for each calendar year under rule 2.3.7 (2), the senior management must confirm in writing that it has considered the report and, if an action plan is required, has approved such a plan. The firm's MLRO must give the Regulatory Authority a copy of the report and confirmation before 1 May of the next year.

Explanatory note

This amendment changes the requirement for the MLRO to give a report for each calendar year (instead of financial year). It also adds a requirement to give the Regulatory Authority a copy of the report and written confirmation of the senior management's compliance with the rule.

Part 3.2 Anti-Money Laundering and Combating Terrorist Financing (General Insurance) Rules 2012

[3.8] After rule 2.2.2 (1) (g)

insert

Guidance

The Regulatory Authority expects a firm's senior management to ensure that there is an AML/CFT culture within the firm where:

- senior management consistently enforces a top-down approach to its AML/CFT responsibilities;

-
- there is a demonstrable and sustained firm-wide commitment to the AML/CFT principles and compliance with the AML/CFT Law, these rules and the firm's AML/CFT policies, procedures, systems and controls;
 - AML/CFT risk management and regulatory requirements are embedded at all levels of the firm and in all elements of its business or activities.

Explanatory note

This amendment inserts guidance about a firm's AML/CFT compliance culture.

[3.9] Rule 2.3.2 (3)

omit

function for the cannot

insert

function for the firm cannot

Explanatory note

This amendment inserts a missing word.

[3.10] Rule 2.3.7 (2)

substitute

- (2) However, the MLRO must give the senior management a report that complies with rule 2.3.8 (Minimum annual report by MLRO) for each calendar year. The report must be given in time to enable compliance with rule 2.3.9 (2).

Explanatory note

This amendment changes the requirement for the MLRO to give a report for each calendar year (instead of financial year).

[3.11] Rule 2.3.8 (1)

omit

financial year of the firm

insert

calendar year

Explanatory note

This amendment changes the requirement for the MLRO to give a report for each calendar year (instead of financial year).

[3.12] Rule 2.3.9 (2), including example

substitute

- (2) For the report that must be given for each calendar year under rule 2.3.7 (2), the senior management must confirm in writing that it has considered the report and, if an action plan is required, has approved such a plan. The firm's MLRO must give the Regulatory Authority a copy of the report and confirmation before 1 May of the next year.

Explanatory note

This amendment changes the requirement for the MLRO to give a report for each calendar year (instead of financial year). It also adds a requirement to give the Regulatory Authority a copy of the report and written confirmation of the senior management's compliance with the rule.

[3.13] Division 2.4.D, heading

substitute

Division 2.3.D Additional obligations of firm with non-resident MLRO

Explanatory note

This amendment corrects the numbering of the Division.

Schedule 4 Amendments relating to letters of comfort in General Rules 2005

(see r 3)

[4.1] Rule 8.2.4 (1) and (2)

substitute

- (1) A controller notice must be accompanied by a letter of comfort if the notice is seeking approval to increase existing control:
 - (a) from a level of 10% to 48.99% to a level of 49% or more; or
 - (b) from a level of 10% to 73.99% to a level of 74% or more.

Note By giving a letter of comfort when a controller crosses the thresholds at 49% and 74%, the controller signifies its continuing willingness and commitment to support the firm in case of unforeseen contingencies that may affect the firm's ability to maintain adequate capital and liquidity levels in order to meet its obligations and regulatory requirements.

- (2) The Regulatory Authority may require a letter of comfort to accompany a controller notice seeking approval to increase control from a level of 10% to 23.99% to a level up to 48.99%.

Explanatory note

This amendment clarifies when a letter of comfort must accompany a controller notice by specifying the levels from which the requirement is applicable.

[4.2] Rule 8.2.4 (3), guidance

omit

controller or proposed controller,

insert

controller,

Explanatory note

This amendment removes an erroneous reference to proposed controller.

Schedule 5 Amendments relating to the application of BANK and INMA

(see r 3)

Part 5.1 Banking Business Prudential Rules 2014

[5.1] After rule 1.1.1 (2)

insert

Note The Basel Committee is the primary global standard-setter for the prudential regulation of banks and provides a forum for cooperation on banking supervisory matters. Its mandate is to strengthen the regulation, supervision and practices of banks and regulators worldwide and thereby enhance financial stability.

[5.2] After rule 1.3.1 (2)

insert

Guidance

A firm that conducts any of the activities that make up banking business, or a combination of those activities, will need to consider the extent to which its business model is subject to the prudential requirements set out in these rules. These rules are designed to address the different prudential risks that could arise from the broad range of business models, risk appetites and risk profiles of banking business firms.

For example, a firm that solely conducts the activity of dealing in investments as principal (that is, an investment dealer) will need to consider the extent to which its activities in buying, selling, subscribing to or underwriting investments attract prudential risks that are subject to the requirements of these rules. In contrast, a firm that is a deposit-taker and that also deals in investments as principal would be subject to a broader range of prudential requirements. In both examples, these rules apply in accordance with the nature, scale and complexity of the firm's business.

[5.3] After rule 3.1.6

insert

3.1.7 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.

Explanatory note

This amendment inserts a provision to allow authorised firms to hold an amount required under these rules in a currency other than Qatari riyals.

Part 5.2 Investment Management and Advisory Rules 2014

[5.4] Rule 1.1.4, guidance 3

substitute

3 For example, a banking business firm that also holds an authorisation referred to in rule 1.1.4 will need to comply with these rules, except as follows:

- Part 3.3 (Minimum capital and liquid assets requirements) will not apply because compliance with the capital adequacy and liquidity requirements in BANK is taken to be compliance with Part 3.3.
- Part 4.3 (Professional indemnity insurance) will not apply because the Regulatory Authority considers this unnecessary for a firm that is also authorised as a banking business firm.
- Part 4.1 (Introduction—Chapter 4) , Part 4.2 (Risk management) and Schedule 1 (Guidance about risk management) will not apply to the firm if the firm can demonstrate to the Regulatory Authority's satisfaction that, having complied with BANK, the firm has in effect addressed all of the risks and other matters that Part 4.2 requires it to address.

Explanatory note

This amendment clarifies the application of the *Investment Management and Advisory Rules 2014* to an INMA firm that is also authorised to conduct banking business under the *Banking Business Prudential Rules 2014*.

[5.5] After rule 5.5.18

insert

5.5.19 Record-keeping

- (1) An investment business firm must maintain records that enable it:
 - (a) to demonstrate to its auditors and the Regulatory Authority that it complies with this Chapter; and
 - (b) to demonstrate and explain all entries of money held or controlled in accordance with this Chapter.
- (2) An investment business firm must maintain a master list of every client bank account and third party account. The master list must set out:
 - (a) the name of the account;
 - (b) the account number;
 - (c) the location of the account;
 - (d) whether the account is currently open or closed; and
 - (e) the date on which it was opened and if applicable, the date on which it was closed.
- (3) The details of an account must be documented and maintained in the master list for at least 6 years after the account is closed.

Explanatory note

This amendment inserts a provision on an investment business firm's record-keeping obligation that was omitted in error at the time ASET was integrated into INMA.

Schedule 6 Technical and other minor amendments

(see r 3)

Part 6.1 Banking Business Prudential Rules 2014

[6.1] Rule 1.2.6

omit

the market and macroeconomic conditions and the risk of a significant deterioration in market liquidity.

insert

and market and macroeconomic conditions.

Explanatory note

This amendment removes a mistaken reference to market liquidity risk

[6.2] Rule 1.3.5 (c)

omit

(c) a branch registered with the QFC Authority.

insert

(c) a branch registered with the QFC Companies Registration Office.

Explanatory note

This amendment inserts the correct name of the registration office for branches

[6.3] Rule 2.1.2, guidance 1 (b)

omit

have effect

insert

have an effect

[6.4] Rule 2.1.3, Note

omit

must ensure must ensure

insert

must ensure

Explanatory note

This amendment omits superfluous words.

[6.3] Rule 3.2.1 (1)

omit

A banking business firms

insert

A banking business firm

Explanatory note

This amendment fixes a typographical error.

[6.4] Rule 3.2.4 (b)

substitute

(b) for an investment dealer—QR7 million.

Explanatory note

This amendment fixes a typographical error in the conversion of the original US dollar denominated amount to Qatari riyals.

[6.5] Rule 3.2.9 (15)

omit

balance-sheet.

insert

balance sheet.

Explanatory note

This amendment fixes a typographical error.

[6.6] Rule 3.2.38 (2)

omit

is referred to as the *excess*.

insert

is referred to as the *excess*.

Explanatory note

This amendment fixes a typographical error.

[6.7] Rule 4.2.2 Guidance (c)

omit

the kind of credit

insert

the kinds of credit

Explanatory note

This amendment fixes a typographical error.

[6.8] Rule 4.3.6 (4)

omit

The Regulatory

insert

The Regulatory Authority

Explanatory note

This amendment fixes a typographical error.

[6.9] Rule 5.3.4 (2) and (3)

omit

exposures funded

insert

exposures financed

Explanatory note

This amendment replaces words for consistency with the rest of the rule

[6.10] Rule 9.1.5 (2) (c) (iv)

omit

and complex

insert

or complex

Explanatory note

This amendment fixes a typographical error.

Part 6.2 Captive Insurance Business Rules 2011

[6.11] Rule 3.1.2 (1), definition of Eligible capital

substitute

eligible capital, of a firm, means the sum of:

- (a) the firm's permanent share capital;
- (b) the firm's share premium account;
- (c) the firm's retained earnings or losses; and
- (d) the following items (up to an amount not exceeding 50% of the sum of the amounts referred to in paragraphs (a), (b) and (c)):
 - (i) qualifying letters of credit under rule 3.1.5;
 - (ii) any other instrument allowed by the Regulatory Authority under subrule (2) (a).

Explanatory note

This amendment fixes the paragraphing of, and a typographical error in, the definition.

Part 6.3 General Rules 2005

[6.12] Rule Schedule 3, section 2.1

omit

- r 5.10.7 (Firms may make good deficit)

insert

-
- r 5.5.19 (Record-keeping)
 - r 5.10.7 (Firms may make good deficit)

Explanatory note

This amendment updates the list of recordkeeping requirements in INMA.

Part 6.4 Insurance Business Rules 2006

[6.13] Rules 1.5.3 and 1.5.4 (except Guidance)

substitute

1.5.2 Insurers not to carry on non-insurance business

- (1) An insurer must not carry on any activity other than insurance business unless the activity is directly connected with, or carried on for the purposes of, insurance business.
- (2) For this rule, managing investments is not an activity directly connected with, or carried on for the purposes of, insurance business.

Explanatory note

This amendment inserts a heading, and renumbers the former rule 1.5.3 as rule 1.5.2 (1) and former rule 1.5.4 as rule 1.5.2 (2) (without changing the text).

[6.14] Guidance for pt 3.9

move immediately after the heading to Part 3.9

Explanatory note

This amendment re-locates the guidance to a more appropriate place.

[6.15] Rule 4.2.2

omit

calculation table:

insert

calculation table is as follows:

Explanatory note

This amendment corrects a grammatical error.

[6.16] Rules A3.4.2 and A3.4.3

omit

asset component

insert

asset risk component

Explanatory note

This amendment inserts missing words.

Part 6.5 Investment Management and Advisory Rules 2014

[6.17] Rule 1.1.8 (c)

omit

(c) a branch registered with the QFC Authority.

insert

(c) a branch registered with the QFC Companies Registration Office.

Explanatory note

This amendment inserts the correct name of the registration office for branches