



QATAR FINANCIAL CENTRE

**REGULATORY  
AUTHORITY**

# **Governance and Controlled Functions (Consequential and Miscellaneous) Amendments Rules 2012**

**QFCRA Rules 2012-5**

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

Dated 19 December 2012.

Abdulla Saoud Al-Thani  
Chairman

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# **Governance and Controlled Functions (Consequential and Miscellaneous) Amendments Rules 2012**

**QFCRA Rules 2012-5**

made under the

*Financial Services Regulations*

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**1 Name of rules**

These rules are the *Governance and Controlled Functions (Consequential and Miscellaneous) Amendments Rules 2012*.

**2 Commencement**

These rules commence on 1 July 2013.

**3 Repeal**

The Controls Rulebook is repealed.

**4 Rules amended**

These rules amend the *Rules* mentioned in schedule 1, schedule 2, schedule 3 and schedule 4.

**5 Explanatory notes**

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

## **Schedule 1 Amendments of the Individuals Rules 2005**

(see r 4)

### **[1.1] Before chapter 1**

*omit heading 'Background to this Rulebook' and following 4 paragraphs*

#### **Explanatory note**

This amendment removes outdated guidance.

### **[1.2] Before chapter 1**

*omit heading 'Financial Services Regulations' and following text and quotation*

#### **Explanatory note**

This amendment removes background material that is no longer necessary because it is adequately supplied elsewhere in guidance.

### **[1.3] Chapters 2 and 3**

*substitute*

## **Chapter 2 Principles of conduct for approved individuals**

### **2.1.1 Principle 1—integrity**

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

### **2.1.2 Principle 2—due skill, care and diligence**

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

### **2.1.3 Principle 3—market conduct**

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

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**2.1.4 Principle 4—relations with the Regulatory Authority**

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

**2.1.5 Principle 5—appropriate priority for management and compliance**

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

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

**Guidance**

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

**Explanatory note**

This amendment removes material of which the substance has been transferred to the *Governance and Controlled Functions Rules 2012* and re-inserts the substance of the former ch 7.

**[1.4] Rule 4A.1.1 (3), example 4**

*omit*

boards and

**Explanatory note**

This amendment removes a reference to boards.

**[1.5] Rule 4A.1.3 (2) (a) (i)**

*substitute*

- (i) a controlled function for which a rule requires the firm to have an individual approved;

**Explanatory note**

This amendment removes an outdated cross-reference.

**[1.6] After rule 4A.1.3 (2)**

*insert*

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

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

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

**Explanatory note**

This amendment inserts a note for r 4A.1.3 (2) (a) (i) setting out the rules that require a firm to appoint individuals to controlled functions.

**[1.7] Rule 4A.2.1, notes 2 and 3**

*substitute*

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

**Explanatory note**

This amendment omits a note that is no longer necessary.



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**[1.8] After rule 4A.2.2 (1)**

*insert*

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

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

- (1B) The assessment of an individual's competence for appointment to—
- (a) the risk management function; or
  - (b) the compliance oversight function; or
  - (c) the actuarial function;
- must be made—
- (d) by the firm's governing body; or
  - (e) after consultation with the firm's governing body.

**Explanatory note**

This amendment introduces particular requirements for assessing the competence of a person proposed for appointment to certain controlled functions.

**[1.9] Rule 4A.3.2, notes 1 and 2**

*substitute*

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

**Explanatory note**

This amendment omits an outdated note.

**[1.10] Chapters 6 and 7**

*substitute*

## **Chapter 6 Cessation of exercise of controlled functions**

### **6.1.1 Regulatory Authority withdrawal of approval**

- (1) This rule is made for FSR, article 41 (3) (D).

- (2) The Regulatory Authority may withdraw the approval of an individual to perform a controlled function in any of the following circumstances:
- (a) the authority has determined that the individual is no longer a fit and proper person in relation to the function;
  - (b) the authority considers that the individual no longer satisfies the relevant criteria in schedule 1 or schedule 2;
  - (c) the authority considers that the individual's performance of the function has fallen below the required standard;
  - (d) if the individual has been approved to perform more than 1 controlled function for the authorised firm concerned, the authority considers that—
    - (i) the continued performance by the individual of both or all the functions—
      - (A) is no longer appropriate having regard to the nature, scale and complexity of the firm's business; or
      - (B) has given rise, or is likely to give rise, to an internal or external conflict of interest; or
      - (C) has compromised, or is likely to compromise, the independence, objectivity and effectiveness of the exercise of any of the functions; or
    - (ii) the individual has failed to perform any 1 or more of the functions to the required standard; or
    - (iii) the combined performance of the functions by the individual has impaired, or is likely to impair, the firm's compliance with the requirements applicable to the conduct of its business in or from the QFC; or
    - (iv) the firm's governing body—
      - (A) has failed to carry out the review required by CTRL, rule 3.2.8 (2); or
      - (B) has failed to submit the report of such a review to the authority; or

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(C) has submitted a report that does not satisfy the Authority that it is appropriate for the arrangement to continue.

(3) In subrule (2)—

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

**Guidance**

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

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

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

**Example—meaning of 'within 2 business days'**

- 1 If, on a *business day*, the authorised firm becomes aware that the individual will cease to exercise the controlled function, the firm must make the application immediately, but by no later than the next *business day*.

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

**Explanatory note**

This amendment omits material transferred to the *Governance and Controlled Functions Rules 2012* and substitutes a new ch 6 containing the substance of the remainder of the former ch 6. The substance of former ch 7 is re-inserted in those rules as ch 2 by another amendment.

**[1.11] Schedule 1, notes 1 and 2**

*substitute*

**Notes for sch 1**

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

**Explanatory note**

This amendment substitutes notes with updated cross-references and attribution of the material in new pt S10.

**[1.12] Schedule 1, Part S6, paragraph S6.21 (b)**

*substitute*

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

**Explanatory note**

This amendment amends the competencies for the finance function to give the Regulatory Authority a discretion not to require membership of an appropriate professional body.

**[1.13] Schedule 1, after part S9**

*insert*

**Part S10 Internal audit function competencies****Note for pt S10**

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

**Division S10.1 Skills**

- S10.1 Maintain appropriate, sufficient and effective internal audit resources to carry out the firm's audit plan
- S10.2 Establish risk-based audit plans to determine the priorities for internal audit and then communicate and implement the plan
- S10.3 Provide independent assurance and evaluation and contribute to the improvement of governance (including internal controls and risk management) using a systematic and disciplined approach
- S10.4 Evaluate the adequacy and effectiveness of the firm's policies, procedures, documentation and controls against changing trends and market and economic conditions
- S10.5 Evaluate risk exposures relating to the firm's governance, operations and information systems regarding—
- (a) the reliability and integrity of financial and operational information; and
  - (b) the effectiveness and efficiency of operations; and
  - (c) the safeguarding of assets; and

- (d) compliance with laws, regulations, policies, procedures and contracts
- S10.6 Report periodically to the firm's governing body on internal audit activities and the progress made in carrying out the firm's audit charter and risk-based audit plan
- S10.7 Establish a process to monitor the implementation of management action and ensure that implementation has been effective, or that the firm's senior management have accepted the risk of not taking action
- S10.8 Develop and maintain internal audit records to support audit conclusions
- S10.9 Display high standards of professional ethics.

### **Division S10.2 Knowledge**

- S10.21 Either—
  - (a) a recognised audit professional qualification; or
  - (b) any other qualification that the Regulatory Authority is satisfied (on the basis of evidence produced by the firm, if the authority so requires) is appropriate for the role
- S10.22 Membership of an appropriate professional body, unless the Regulatory Authority is satisfied (on the basis of evidence produced by the firm, if the authority so requires) that membership of such a body is not required.

### **Division S10.3 Experience and other elements**

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

**Explanatory note**

This amendment inserts the competencies for the internal audit controlled function.

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**[1.14] Glossary, definition of customer facing function**

*substitute*

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

**Explanatory note**

This amendment substitutes a definition referring to the new *Governance and Controlled Functions Rules 2012*.

**[1.15] Glossary, definition of FSR**

*substitute*

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

**Explanatory note**

This amendment corrects a definition.

**[1.16] Glossary**

*insert the following definitions*

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

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

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

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

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

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

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

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

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

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

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

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

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

**Explanatory note**

This amendment inserts definitions referring to the *Governance and Controlled Functions Rules 2012*.

**[1.17] Mentions of ‘for role’ in schedules 1 and 2**

*omit*

for role

*insert*

for the role

*in the following provisions*

- schedule 1, rule S1.21
- schedule 1, rule S2.21
- schedule 1, rule S3.21
- schedule 1, rule S8.21
- schedule 2, rule S1.35
- schedule 2, rule S2.25
- schedule 2, rule S3.65

**Explanatory note**

These amendments correct a number of minor errors.

**[1.18] Further amendments—italics, etc**

<i>item</i>	<i>omit</i>	<i>insert</i>
1	<i>compliance oversight function</i>	compliance oversight function
2	<i>finance function</i>	finance function
3	<i>governing body</i>	governing body
4	<i>MLRO function</i>	MLRO function
5	<i>non-executive governance function</i>	non-executive governance function



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<i>item</i>	<i>omit</i>	<i>insert</i>
6	<i>risk management function</i>	risk management function

**Explanatory note**

These amendments remove unnecessary italics.

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## Schedule 2 Amendments of the Insurance Business Rules 2006

(see r 4)

### [2.1] After rule 1.2.7

*insert*

#### 1.2.8 PINS categories

- (1) For these rules, general insurance business is divided into 4 **PINS categories**, as follows:
  - (a) **PINS category 1**—general insurance business that falls under general insurance category 1 or 2;
  - (b) **PINS category 2**—general insurance business that falls under general insurance category 3 or 18;
  - (c) **PINS category 3**—general insurance business that falls under general insurance category 4, 5, 6, 7, 8, 9, 16 or 17;
  - (d) **PINS category 4**—general insurance business that falls under general insurance category 10, 11, 12, 13, 14 or 15.
- (2) In subrule (1)—  
**general insurance category** means a category of general insurance set out in FSR, schedule 3, part 3, paragraph 10.3.

#### Explanatory note

This amendment inserts an interpretation provision formerly in INAP.

### [2.2] Chapter 2, heading

*substitute*

## Chapter 2 Risk management

#### Guidance for ch 2

- 1 Risk management should be directly overseen by an insurer's governing body. For those obligations of an insurer, see CTRL, rule 2.2.3 and rule 2.2.4.

- 
- 2 CTRL, rule 4.1.4 (4), requires an authorised firm (including an insurer) to establish and regularly review its risk management strategy, which must be appropriate to the nature, scale and complexity of its business.
  - 3 The purposes of chapter 2 are—
    - (a) to identify risks that must be specifically addressed in an insurer’s risk management policy; and
    - (b) to set out the requirements for an insurer to document its risk management policy through the establishment and maintenance of a risk management strategy.
  - 4 For further guidance in relation to an insurer’s risk management policy, see appendix 1.
  - 5 There are requirements applicable to an insurer in CTRL, chapter 4, in relation to internal audit (CTRL, division 4.1.D) and actuarial advice (CTRL, division 4.1.E).

**Explanatory note**

This amendment inserts new guidance.

**[2.3] Rule 2.1.1, guidance**

*omit*

**Explanatory note**

This amendment removes guidance the substance of which has been included in the guidance for ch 2 inserted by the previous amendment.

**[2.4] Rule 2.2.1, guidance 2**

*substitute*

- 2 CTRL, rule 2.2.3, requires an authorised firm (including an insurer) to have strategic and business plans.

**Explanatory note**

This amendment inserts revised guidance, with an up-to-date cross-reference.

**[2.5] Rule 2.3.5 (H)**

*substitute*

- (h) describes the processes by which the risk management policy and the risk management strategy are reviewed, and outlines the broad coverage for those reviews;

**Explanatory note**

This amendment removes 2 unnecessary and out-of-date cross-references.

**[2.6] Chapter 9**

*substitute*

## **Chapter 9 Actuarial reporting**

### **Guidance for chapter 9**

Insurers that conduct long term insurance business, and certain insurers that conduct general insurance business, are required to appoint an individual to exercise the actuarial function (an *approved actuary*). An insurer that is required to appoint an approved actuary must have the approved actuary prepare and submit a report, called a *financial condition report*, in accordance with part 9.1, to the insurer's governing body and the Regulatory Authority every year. An insurer that is not required to appoint an approved actuary must consider every year whether to obtain an actuarial report in accordance with part 9.2, and must actually obtain such a report at least every 3 years.

### **Note for ch 9**

See also CTRL, div 4.1.E, for an insurer's general obligations in relation to its actuarial system.

## **Part 9.1 Insurers that are required to have approved actuaries**

### **9.1.1 Application—pt 9.1**

This part applies to an insurer that is required to have an approved actuary.

*Note* For the insurers that are required to have an approved actuary, see CTRL, r 4.1.10.

### **9.1.2 Financial condition reports**

- (1) The approved actuary for the insurer must annually carry out an investigation to enable him or her to prepare a report about the insurer's financial condition (a *financial condition report*).

*Note* *Approved actuary* is defined in the glossary.

- (2) The insurer must ensure that the actuary is given appropriate access (that is, such access as the actuary reasonably believes to be necessary to prepare the report) to—
  - (a) all relevant data, information, reports and staff of the insurer; and
  - (b) so far as possible, any contractor of the insurer.
- (3) The actuary must prepare, sign and date the report.
- (4) The actuary must give the report to the insurer sufficiently in advance of the insurer's next annual return date to allow the insurer's governing body a reasonable opportunity to consider and use it in preparing the insurer's next annual prudential return.
- (5) The insurer's governing body must give a copy of the report to the Regulatory Authority on or before the insurer's next annual return date.
- (6) In this rule—

*next annual return date* for an insurer means the date on which it must give its next annual prudential return to the Regulatory Authority under rule 1.4.2.

### **9.1.3 Requirements for financial condition report**

- (1) A financial condition report must set out an objective assessment of the overall financial condition of the insurer concerned.
- (2) For an insurer conducting long term insurance business, such a report must include an objective assessment of the financial condition of each long term insurance fund established by the insurer.
- (3) In preparing a financial condition report, an approved actuary must act in accordance with the relevant professional standards.
- (4) The actuary must ensure that the report covers at least the following matters (so far as relevant):
  - (a) an overview of the insurer's business;

- (b) an assessment of the insurer's recent experience and profitability, including the experience during the year ending on the valuation date;
- (c) an assessment of the value of the insurer's *insurance liabilities* that fall within rule 8.7.9 and rule 8.7.10;
- (d) for an insurer to which subrule (5) applies, an assessment of the value of the insurer's *insurance liabilities* that fall within rule 8.6.7 and rule 8.6.8;
- (e) an assessment of whether the insurer's past estimates of the liabilities referred to in paragraphs (c) and (d) were adequate, especially if there has been a change in the assumptions or the valuation method from that adopted at the previous valuation;
- (f) an explanation, in relation to the valuation of those liabilities, of—
  - (i) the assumptions used in the valuation process; and
  - (ii) the adequacy and appropriateness of data made available to the actuary by the insurer; and
  - (iii) how the actuary assessed the reliability of the data; and
  - (iv) the model or models used by the actuary; and
  - (v) the approach taken to estimate the variability of the estimate; and
  - (vi) the sensitivity analyses undertaken;
- (g) a determination of the value of the surplus in each long term insurance fund established by the insurer;  
*Note* In relation to the distribution of a surplus, see rr 5.5.2 and 5.5.4.
- (h) in the case of a takaful entity, a determination of the value of any surplus or deficit in each takaful fund established and maintained by the entity, if the takaful business attributed to the fund is long term insurance business;  
*Note* In relation to the distribution of a surplus, see r 6.6.4 (2).
- (i) an assessment of asset and liability management, including the insurer's investment strategy;

- (j) an assessment of the insurer's current and future capital adequacy and a discussion of its approach to capital management;
  - (k) an assessment of the insurer's pricing, including the adequacy of its premiums;
  - (l) an assessment of the suitability and adequacy of the insurer's reinsurance arrangements, including the documentation of those arrangements and the existence and impact of any limited risk transfer arrangements;
  - (m) an assessment of the suitability and adequacy of the insurer's risk management policy.
- (5) This subrule applies to an insurer if it engages in general insurance business and—
- (a) more than 15% of the insurer's gross outstanding liabilities are attributable to contracts of insurance for general insurance business in PINS category 1; or
  - (b) more than 20% of the insurer's gross outstanding liabilities are attributable to contracts of insurance for general insurance business in PINS category 4.
- (6) The actuary—
- (a) must consider the implications and outlook for the insurer of each matter mentioned in subrule (4); and
  - (b) if the implications for the insurer are adverse, must make recommendations to address the problem.
- (7) A financial condition report for a branch must be prepared in relation to the insurer's QFC operations, but must take into account the financial position of the head office.

**Guidance**

An authorised firm's approved actuary may rely on other expert opinion to address any matter required by a financial condition report which the actuary does not feel qualified to comment on. However, any third party opinion relied on for a financial condition report should be clearly identified in the report.

**9.1.4 Regulatory Authority may direct more frequent financial condition reports**

- (1) The Regulatory Authority may direct an insurer that the insurer's approved actuary is to prepare a financial condition report more frequently than rule 9.1.2 (1) requires if the Regulatory Authority considers it necessary or desirable, for the prudential supervision of the insurer, to receive such a report more frequently.
- (2) The authority must give such a direction in writing.
- (3) An insurer must comply with a direction under subrule (1).

**9.1.5 Regulatory Authority may direct special review**

- (1) The Regulatory Authority may direct an insurer that the insurer's approved actuary—
  - (a) is to carry out a review of matters specified by the authority relating to the insurer's operations, risk management or financial affairs; and
  - (b) is to prepare a report on the basis of that review.
- (2) The insurer must bear the cost of the review.
- (3) An insurer must comply with a direction under subrule (1).
- (4) The insurer's approved actuary must give the report simultaneously to the Regulatory Authority and the insurer within 3 months of the date of the direction, unless the authority grants an extension of time in writing.

**Part 9.2 Insurers that are not required to have approved actuaries**

**9.2.1 Application—pt 9.2**

This part applies to an insurer that is not required to have an approved actuary.

*Note* For the insurers that are required to have an approved actuary, see CTRL, r 4.1.11.



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**9.2.2 Actuarial reporting requirements for general insurance business**

The governing body of an insurer to which this part applies—

- (a) must consider annually whether to commission an independent actuary to report on its business; but
- (b) must commission such a report at least once every 3 years.

**9.2.3 Qualifications etc of independent actuary**

- (1) If an insurer decides to commission an actuarial report, it must appoint, to prepare the report, an individual who—
  - (a) has the qualifications set out in subrule (2); and
  - (b) satisfies the criteria set out in subrule (3).
- (2) The qualifications are—
  - (a) that he or she has appropriate formal qualifications and is a member of a recognised professional body; and
  - (b) that he or she has at least 5 years' relevant experience in providing actuarial services to insurers, either in the QFC or in other jurisdictions; and
  - (c) that the experience is sufficiently recent to ensure that he or she is familiar with current issues in the provision of such services to insurers.
- (3) The criteria are the following:
  - (a) that he or she does not exercise the *senior executive function*, the *executive governance function* or the *non-executive governance function* for the insurer or a *related body corporate* (except a *related body corporate* that is a *subsidiary* of the insurer);
  - (b) that he or she is not—
    - (i) an approved auditor (under the Companies Regulations, article 85 (1), or the Limited Liability Partnerships Regulations, article 37) for the insurer; nor
    - (ii) an employee or director of an entity of which that auditor is an *employee* or *director*; nor

(iii) a partner of that auditor.

#### **9.2.4 Actuarial reports**

- (1) The actuary who prepares an actuarial report for this part must sign it.
- (2) The insurer concerned must ensure that the actuary is given appropriate access (that is, such access as the actuary reasonably believes to be necessary to prepare the report) to—
  - (a) all relevant data, information, reports and staff of the insurer; and
  - (b) so far as possible, any contractor of the insurer.
- (3) The report must give details, for each category of general insurance business that the insurer conducts, of the following matters:
  - (a) recent trends in the business;
  - (b) the actuary's estimate of the value of the insurance liabilities and assets arising in respect of those liabilities, determined in accordance with chapter 8;
  - (c) if the assumptions or the valuation method used for that estimate differ from those adopted for the previous valuation of those assets and liabilities, the effect, as at the date on which the actuary signs the report, of those changes on the value of those liabilities and assets;
  - (d) the adequacy and appropriateness of the data that the insurer made available to the actuary;
  - (e) the procedures that the actuary used to assess the reliability of that data;
  - (f) the model or models that the actuary used;
  - (g) the assumptions that the actuary used in the valuation process (including, without limitation, assumptions made as to inflation and discount rates, future expense rates and, if relevant, future investment income);
  - (h) how the actuary estimated the variability of the estimate;

- (i) the nature and findings of sensitivity analyses that the actuary undertook.
- (4) The insurer's governing body must give a copy of the signed report to the Regulatory Authority on or before the date on which the insurer must give its next annual prudential return to the authority under rule 1.4.2.

### **9.2.5 Additional powers of Regulatory Authority**

- (1) If at any time the Regulatory Authority believes it is necessary that an insurer to which this part applies should obtain an actuarial report relating to the insurer's operations, risk management or financial affairs, it may direct the insurer to do so at the insurer's expense.
- (2) The insurer—
  - (a) must appoint, to prepare the report, an actuary who has the qualifications, and satisfies the criteria, in rule 9.2.3; and
  - (b) must notify the authority of the name, qualifications and experience of the actuary appointed.
- (3) If the authority is not satisfied that the actuary appointed by the insurer has those qualifications or satisfies those criteria, the authority may direct the insurer to appoint an actuary nominated by the authority to prepare the report.
- (4) The insurer must submit the report to the authority within 3 months of the direction, unless the authority allows an extension of time in writing.

#### **Explanatory note**

This amendment substitutes a revised ch 9.

**[2.7] Appendix 3, section A3.1***substitute***Part A3.1 Interpretation****A3.1.1 Definitions for app 3**

- (1) In this appendix:  
*counterparty grade* (or *grade*) has the meaning given by subrule (2).  
*invested asset* means an asset, right or interest held by an insurer for the primary purpose of generating revenue or for directly providing funds to meet the insurer's cash outflows in the future.
- (2) For this appendix, the *grade* of an asset is its grade according to the rating of its counterparty, in accordance with table A3.1.1.

**Table A3.1.1 Grade of assets according to counterparty ratings**

Rating of counterparty by:				Grade of asset
Standard & Poor's	Moody's	A. M. Best	Fitch	
AAA	Aaa	A++	AAA	1
AA+	Aa1	A+	AA+	2
AA	Aa2		AA	
AA-	Aa3		AA-	
A+	A1	A	A+	3
A	A2		A	
A-	A3		A-	
BBB+	Baa1	A-	BBB+	4
BBB	Baa2		BBB	
BBB-	Baa3		BBB-	
BB+ to B-	Ba1 to B3	B++ to C+	BB+ to B-	5
CCC+ and below	Caa and below	C and below	CCC and below	6

**Explanatory note**

This amendment inserts definitions, formerly in INAP, of terms specific to app 3.

**[2.8] Appendix 3, rule A3.8.2***substitute***A3.8.2 Meaning of *base claims reserve***

- (1) For rule A3.8.1, an insurer's *base claims reserve* is the higher of the following amounts:
- (a) the amount of the insurer's provision for gross outstanding claims, less the amount of reinsurance and other recoveries expected to be received in relation to that liability;
  - (b) 50% of the amount of the insurer's provision for gross outstanding claims.
- (2) In subrule (1):
- gross outstanding claims* for an insurer at a date means the amount of the insurer's provision for claims incurred but not paid at that date, including—
- (a) claims incurred but not reported; and
  - (b) provision for direct and indirect settlement expenses in relation to those claims.

**Explanatory note**

This amendment inserts a definition, formerly in INAP, of a term specific to PINS, r A3.8.1.

**[2.9] Glossary***insert the following definitions*

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

*approved actuary* for an insurer means an individual approved by the Regulatory Authority to exercise the actuarial function for the insurer.

*base capital requirement* has the meaning given by rule 3.4.1.

*category* of contracts of insurance means a category of such contracts described in FSR, schedule 3, part 3, paragraph 10.

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

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

**eligible capital** has the meaning given by rule 4.2.1.

**financial condition report** has the meaning given by rule 9.1.2 (1).

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

**long term insurance fund** means a fund established by an insurer for the purposes of chapter 5.

**lower tier 2 capital** means capital that is lower tier 2 capital under the table in rule 4.2.2.

**PINS category** (whether or not followed by a number) has the meaning given by rule 1.2.8.

**QFC** means Qatar Financial Centre.

**reference date** for a financial condition report means the date on which the actuary who prepared the report signed it.

**Regulatory Authority** means the Regulatory Authority of the QFC.

**risk management strategy** means the document required by rule 2.3.1.

**senior manager** of an insurer means an individual employed by the insurer or a member of the insurer's *group* who is responsible, alone or with others, for managing and supervising 1 or more elements of the insurer's business.

**solvency reference date** for an insurer means a date at which the insurer's compliance with the capital adequacy requirements of these rules is assessed.

**tier 1 capital** means capital that is tier 1 capital under the table in rule 4.2.2.

**tier 2 capital** means capital that is upper tier 2 capital or lower tier 2 capital under the table in rule 4.2.2.

**upper tier 2 capital** means capital that is upper tier 2 capital under the table in rule 4.2.2.

**Explanatory note**

This amendment inserts a number of definitions of terms specific to PINS, formerly in INAP.

**[2.10] Further amendments—cross-references etc**

<i>item</i>	<i>provision</i>	<i>omit</i>	<i>insert</i>
1	rule 2.3.5 (A)	and <i>Senior Management</i> ;	and senior managers;
2	rule 2.4.1 (3)	within ten <i>Business Days</i>	within 10 <i>business days</i>
3	rule 3.2.2	Rule 1.2.1 and Rule 3.2.1	rule 1.2.2 and rule 3.2.1
4	rule 3.2.4	Rule 1.2.1 and Rule 3.2.1.	rule 1.2.2 and rule 3.2.1.
5	rule 3.9.1, heading	r 1.2.1	r 1.2.2
6	rule 3.9.1	rule 1.2.1	rule 1.2.2
7	rule 3.9.1, examples 1 and 2	rule 1.2.1,	rule 1.2.2,
8	rule 3.9.2, heading	r 1.2.1	r 1.2.2
9	rule 3.9.2	rule 1.2.1	rule 1.2.2
10	rule 5.5.2	Rule 9.5.3 (G)	rule 9.1.3 (4) (g)
11	rule 5.5.4	Rule 9.5.3 (G)	rule 9.1.3 (4) (g)
12	rule 6.6.4 (2)	Rule 9.5.3.	rule 9.1.3 (4) (h).
13	Rule 8.7.4, guidance	sections 9.3 and 9.5.	pt 9.1.
14	appendix 1, guidance 3 i	and <i>Senior Management</i> :	and senior managers:
15	appendix 1, section A1.5, guidance 38	CTRL Rule 5.2.1	CTRL, r 5.2.3,

**Explanatory note**

These amendments correct a number of cross-references and make a number of other very minor amendments.

**[2.11] Further amendments—italics and capitalisation**

<i>item</i>	<i>omit</i>	<i>insert</i>
1	<i>Actuarial Function</i>	actuarial function
2	<i>Approved Actuaries</i>	approved actuaries
3	<i>Approved Actuary</i>	approved actuary
4	<i>Base Capital Requirement</i>	base capital requirement
5	<i>Category</i> (if not preceded by <i>PINS</i> )	category
6	<i>Contract of Insurance</i>	contract of insurance
7	<i>contract of insurance</i> (except in definition of <b><i>carrying out a contract of insurance</i></b> )	contract of insurance
8	<i>Contracts of Insurance</i>	contracts of insurance
9	<i>contracts of insurance</i>	contracts of insurance
10	<i>Eligible Capital</i>	eligible capital
11	<i>eligible capital</i>	eligible capital
12	<i>Financial Condition Report</i>	financial condition report
13	<i>financial condition report</i>	financial condition report
14	<i>Governing Body</i>	governing body
15	<i>governing body</i>	governing body
16	<i>Grade</i>	grade
17	<i>Grades</i>	grades
18	<i>invested asset</i> (except in Appendix 3, rule A3.1.1)	invested asset
19	<i>Invested Assets</i>	invested assets
20	<i>invested assets</i>	invested assets
21	<i>Long Term Insurance Fund</i>	long term insurance fund
22	<i>long term insurance fund</i>	long term insurance fund



<i>item</i>	<i>omit</i>	<i>insert</i>
23	<i>Long Term Insurance Funds</i>	long term insurance funds
24	<i>Lower Tier Two Capital</i>	lower tier 2 capital
25	<i>PINS Category</i> (if not followed by a number)	PINS category
26	<i>PINS Category 1</i>	PINS category 1
27	<i>PINS Category 2</i>	PINS category 2
28	<i>PINS Category 3</i>	PINS category 3
29	<i>PINS Category 4</i>	PINS category 4
30	<i>QFC</i>	QFC
31	<i>Reference Date</i> (except in Solvency Reference Date)	reference date
32	<i>Regulatory Authority</i>	Regulatory Authority
33	<i>Risk Management Strategy</i>	risk management strategy
34	<i>Senior Management</i>	senior managers
35	<i>Senior Managers</i>	senior managers
36	<i>Solvency Reference Date</i>	solvency reference date
37	<i>Tier One</i> (if not followed by <i>Capital</i> )	tier 1
38	<i>Tier One Capital</i>	tier 1 capital
39	<i>Tier Two Capital</i>	tier 2 capital
40	<i>Upper Tier Two Capital</i>	upper tier 2 capital

**Explanatory note**

These amendments remove unnecessary italics and capitalisation.

## Schedule 3 Amendments of the Interpretation and Application Rulebook

(see r 4)

### [3.1] Glossary, definition of Actuarial Function

*substitute*

*actuarial function* has the meaning given by CTRL, rule 3.1.11.

#### Explanatory note

This amendment substitutes a definition referring to the *Governance and Controlled Functions Rules 2012*.

### [3.2] Glossary, definition of Approved Actuary

*omit*

#### Explanatory note

This amendment omits the definition of a term that is used only in COND, INDI and PINS. As a result of other amendments, the term is no longer used in INDI. A definition is inserted into PINS by another amendment; the *Governance and Controlled Functions Rules 2012* contains a definition for those rules.

### [3.3] Glossary, definition of base capital requirement

*omit*

#### Explanatory note

This amendment omits the definition of a term that is used only in CAPI, PINS and PIIB. The term is already defined in CAPI. Definitions are inserted into PINS and PIIB by other amendments.

### [3.4] Glossary, definitions of CCF and CEA

*omit*

#### Explanatory note

This amendment omits the definitions of 2 terms specific to PIIB (both already defined in PIIB, r 4.1.2).

**[3.5] Glossary, definition of Compliance Oversight Function**

*substitute*

*compliance oversight function* has the meaning given by CTRL, rule 3.1.9.

**Explanatory note**

This amendment substitutes a definition referring to the *Governance and Controlled Functions Rules 2012*.

**[3.6] Glossary, definition of Controller**

*omit*

along

*insert*

alone

**Explanatory note**

This amendment corrects a minor error.

**[3.7] Glossary, definitions of CPCOM, CPW, CPX and CRCOM**

*omit*

**Explanatory note**

This amendment omits the definitions of 4 terms specific to PIIB (already defined in PIIB, r 4.1.2).

**[3.8] Glossary, definition of CTRL**

*substitute*

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

**Explanatory note**

This amendment substitutes a definition referring to the *Governance and Controlled Functions Rules 2012*.

**[3.9] Glossary, definition of Customer Facing Function**

*substitute*

*customer facing function* has the meaning given by CTRL, rule 3.1.12.

**Explanatory note**

This amendment substitutes a definition referring to the *Governance and Controlled Functions Rules 2012*.

**[3.10] Glossary, definition of CV**

*omit*

**Explanatory note**

This amendment omits the definition of a term specific to PIIB (already defined in PIIB, r 4.1.2).

**[3.11] Glossary, definition of Eligible Capital**

*omit*

**Explanatory note**

This amendment omits the definition of a term used only in PINS. A definition is inserted into the glossary to those rules by another amendment.

**[3.12] Glossary, definition of Executive Governance Function**

*substitute*

*executive governance function* has the meaning given by CTRL, rule 3.1.3.

**Explanatory note**

This amendment substitutes a definition referring to the *Governance and Controlled Functions Rules 2012*.

**[3.13] Glossary, definition of Finance Function**

*substitute*

*finance function* has the meaning given by CTRL, rule 3.1.5.

**Explanatory note**

This amendment substitutes a definition referring to the *Governance and Controlled Functions Rules 2012*.

---

**[3.14] Glossary, definition of Financial Condition Report**

*omit*

**Explanatory note**

This amendment omits the definition of a term used only in PINS. A definition is inserted into the glossary to those rules by another amendment.

**[3.15] Glossary, definition of GENE**

*substitute*

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

**Explanatory note**

This amendment substitutes a corrected definition in the current form.

**[3.16] Glossary, definitions of Grade and Gross Outstanding Claims**

*omit*

**Explanatory note**

This amendment omits the definitions of 2 terms used only in PINS. Definitions are inserted at the appropriate place in those rules by another amendment.

**[3.17] Glossary, definition of INDI**

*substitute*

**INDI** means the *Individuals Rules 2005*.

**Explanatory note**

This amendment substitutes a corrected definition in the current form.

**[3.18] Glossary, definitions of Long Term Insurance Fund, Lower Tier Two Capital and Lower Two Tier Capital**

*omit*

**Explanatory note**

This amendment omits 3 definitions, as follows:

- *long term insurance fund* is used only in PINS and CAPI—CAPI already has its own definition and a definition for PINS is inserted into the glossary to PINS by another amendment
- *lower tier two capital* and *lower two tier capital*—*lower tier two capital* is used only in PINS (where *lower two tier capital* is once used incorrectly instead), and a definition is inserted into the glossary to PINS by another amendment.

**[3.19] Glossary, definition of MV**

*omit*

**Explanatory note**

This amendment omits the definition of a term specific to PIIB (already defined in PIIB, r 4.1.2).

**[3.20] Glossary, definition of Net Outstanding Claims**

*omit*

**Explanatory note**

This amendment omits the definition of a term no longer used in the *Rules*.

**[3.21] Glossary, definition of Non-Executive Governance Function**

*substitute*

*non-executive governance function* has the meaning given by CTRL, rule 3.1.2.

**Explanatory note**

This amendment substitutes a definition referring to the *Governance and Controlled Functions Rules 2012*.

**[3.22] Glossary, definition of NP**

*omit*

**Explanatory note**

This amendment omits the definition of a term specific to PIIB (already defined in PIIB, r 4.1.2).

**[3.23] Glossary, definition of OTC**

*omit*

**Explanatory note**

This amendment omits the definition of a term specific to PIIB (already defined in PIIB, r 4.1.2).

**[3.24] Glossary, definition of PFCE**

*omit*

**Explanatory note**

This amendment omits the definition of a term specific to PIIB (already defined in PIIB, r 4.1.2).

**[3.25] Glossary, definitions of PINS Category, PINS Category 1, PINS Category 2, PINS Category 3 and PINS Category 4**

*omit*

**Explanatory note**

This amendment omits the definitions of 5 terms used only in PINS. Definitions are inserted into the glossary to those rules by another amendment.

**[3.26] Glossary, definition of Principles of Conduct**

*omit*

**Explanatory note**

This amendment omits the definition of a term not used in the rules.

**[3.27] Glossary, definition of Reference Date**

*omit*

**Explanatory note**

This amendment omits a definition that has been moved to PINS. Other Rules that use the term already define it.

**[3.28] Glossary, definition of Reporting Actuary**

*omit*

**Explanatory note**

This amendment omits the definition of a term formerly used in PINS but no longer required.

**[3.29] Glossary, definitions of Risk Management Function and Risk Management Strategy**

*substitute*

*risk management function* has the meaning given by CTRL, rule 3.1.8.

**Explanatory note**

This amendment substitutes a definition of *risk management function* referring to the *Governance and Controlled Functions Rules 2012*, and omits the definition of *risk management strategy*, a term used only in PINS (a definition is inserted into the glossary to those rules by another amendment).

**[3.30] Glossary, definition of Senior Executive Function**

*substitute*

*senior executive function* has the meaning given by CTRL, rule 3.1.4.

**Explanatory note**

This amendment substitutes a definition referring to the *Governance and Controlled Functions Rules 2012*.

**[3.31] Glossary, definition of Senior Management Function**

*substitute*

*senior management function* has the meaning given by CTRL, rule 3.1.6.

**Explanatory note**

This amendment substitutes a definition referring to the *Governance and Controlled Functions Rules 2012*.

**[3.32] Glossary, definition of Solvency Reference Date**

*omit*

**Explanatory note**

This amendment omits the definition of a term used only in PINS. A definition is inserted into the glossary to those rules by another amendment.



**[3.33] Glossary, definition of T**

*omit*

**Explanatory note**

This amendment omits the definition of a term specific to PIIB (already defined in PIIB, r 4.1.2).

**[3.34] Glossary, definitions of tier one capital and tier two capital**

*omit*

**Explanatory note**

This amendment omits the definitions of 2 terms used only in PINS and PIIB. Definitions are inserted into the glossaries to those rules by other amendments.

**[3.35] Glossary, definition of Upper Tier Two Capital**

*omit*

**Explanatory note**

This amendment omits the definition of a term used only in PINS and PIIB. Definitions are inserted into the glossaries to those rules by other amendments.

## Schedule 4      Other consequential and miscellaneous amendments

(see r 4)

### Part 4.1                      Amendments of the Captive Insurance Business Rules 2011

#### [4.1]      Rule 4.1.1, note 2

*omit*

Controls Rulebook, chapter 5.

*insert*

CTRL, ch 5.

#### **Explanatory note**

This amendment substitutes a reference to the *Governance and Controlled Functions Rules 2012*.

#### [4.2]      Rule 4.1.2, note 2

*substitute*

*Note 2* For the rules on the assessment of individuals to exercise controlled functions and related matters, see INDI, pts 4A.2 (Assessment of individuals for controlled functions) and 4A.3 (Approval of individuals for controlled functions) and ch 5 (Training and other ongoing obligations relating to controlled functions). Certain personnel-related decisions about individuals appointed or to be appointed to certain controlled functions must be made by or after consultation with an authorised firm's governing body. See INDI, rr 4A.2.2 (1A) and (1B), and CTRL, r 2.2.6. In relation to controlled functions generally, see CTRL, ch 3.

#### **Explanatory note**

This amendment substitutes a note containing references to INDI (as amended) and the *Governance and Controlled Functions Rules 2012*.

---

**[4.3] Glossary, definition of *compliance oversight function***

*substitute*

*compliance oversight function* has the meaning given by CTRL, rule 3.1.9.

**Explanatory note**

This amendment substitutes a definition referring to the *Governance and Controlled Functions Rules 2012*.

**[4.4] Glossary, definition of *finance function***

*substitute*

*finance function* has the meaning given by CTRL, rule 3.1.5.

**Explanatory note**

This amendment substitutes a definition referring to the *Governance and Controlled Functions Rules 2012*.

**[4.5] Glossary, definition of *senior executive function***

*substitute*

*senior executive function* has the meaning given by CTRL, rule 3.1.4.

**Explanatory note**

This amendment substitutes a definition referring to the *Governance and Controlled Functions Rules 2012*.

**[4.6] Glossary**

*insert*

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

**Explanatory note**

This amendment inserts a definition referring to the *Governance and Controlled Functions Rules 2012*.

## **Part 4.2**                      **Amendments of the Collective Investment Schemes Rules 2010**

### **[4.7]            Division 7.4.E, heading**

*substitute*

### **Division 7.4.E              Derivatives and forward transactions—QFC retail schemes**

**Explanatory note**

This amendment corrects a minor drafting error.

### **[4.8]            Part 7.5, heading**

*substitute*

## **Part 7.5**                      **Exposure for derivatives and forward transactions—QFC retail schemes**

**Explanatory note**

This amendment corrects a minor drafting error.

### **[4.9]            Rule 8.1.13, guidance 1**

*substitute*

- 1 PRIN principle 4 requires an authorised firm to have effective systems and controls. PRIN principle 7 requires an authorised firm to have regard to its customers' interests and to treat them fairly.

**Explanatory note**

This amendment omits an obsolete reference to the former Controls Rulebook.

---

**[4.10] Rule 8.5.2 (1), note**

*omit*

(see CTRL, r 1.1.1 (4)).

*insert*

(see CTRL, r 5.1.1)).

**Explanatory note**

This amendment substitutes a reference to the *Governance and Controlled Functions Rules 2012*.

**[4.11] Rule 8.5.3 (1), note**

*omit*

(see CTRL, r 1.1.1 (4)).

*insert*

(see CTRL, r 5.1.1)).

**Explanatory note**

This amendment substitutes a reference to the *Governance and Controlled Functions Rules 2012*.

**[4.12] Glossary, definition of *controlled function*, note**

*substitute*

*Note* See CTRL, ch 3, for the functions that are controlled functions.

**Explanatory note**

This amendment substitutes a note referring to the *Governance and Controlled Functions Rules 2012*.

**[4.13] Glossary, definition of *CTRL***

*substitute*

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

**Explanatory note**

This amendment substitutes a definition referring to the *Governance and Controlled Functions Rules 2012*.

**[4.14] Glossary, definition of *INDI***

*substitute*

***INDI*** means the *Individuals Rules 2005*.

**Explanatory note**

This amendment corrects a citation.

---

## Part 4.3 Amendments of the Conduct of Business Rulebook

### [4.15] Rule 2.4.3

*substitute*

#### 2.4.3 Excluding or restricting 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*.
- (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*) unless it is reasonable for the firm to do so.

#### Explanatory note

This amendment removes references to the means by which an authorised firm is prohibited from seeking to exclude or restrict its liability to customers or relying on such an exclusion or restriction.

### [4.16] Rule 2.5.8 (2) (b)

*omit*

*soft dollar arrangements*

*insert*

*soft dollar agreements*

#### Explanatory note

This amendment corrects a minor drafting error.

**[4.17] Rule 2.6.4 (2) (a)**

*omit*

later that

*insert*

later than

**Explanatory note**

This amendment corrects a minor drafting error.

**[4.18] Rule 4.1.1 (2)**

*omit*

*operating a collective investment scheme*

*insert*

*operating collective investment schemes*

**Explanatory note**

This amendment corrects a minor drafting error.

**[4.19] Rule 4.3.18**

*omit*

*approved actuary*

*insert*

approved actuary

**Explanatory note**

This amendment removes unnecessary italics.

**[4.20] Rule 4.3.18, at the end**

*insert*

(6) In this rule—

***approved actuary*** for an insurer means an individual approved under FSR, article 41, to exercise the *actuarial function* for the insurer.

**Explanatory note**

This amendment inserts (in place of a definition omitted from INAP) a definition the same in effect as that in the *Governance and Controlled Functions Rules 2012*.



**[4.21] Rule 4.3.20 (3)**

*omit*

*approved actuary*

*insert*

approved actuary

**Explanatory note**

This amendment removes unnecessary italics.

**[4.22] Rule 4.3.20, at the end**

*insert*

(5) In subrule (3)—

***approved actuary*** for an authorised firm means an individual approved under FSR, article 41, to exercise the *actuarial function* for the firm.

**Explanatory note**

This amendment inserts (in place of a definition omitted from INAP) a definition the same as that in the *Governance and Controlled Functions Rules 2012*.

## Part 4.4                      Amendments of the General Rules 2005

### **[4.23]      Rule 4.1.3 (2) (G)**

*substitute*

- (g) any material deficiency, material weakness or material failure in the firm's internal control functions (within the meaning given by *CTRL*);

#### **Explanatory note**

This amendment requires material deficiencies, weaknesses and failures in a firm's internal control functions (the compliance oversight, risk management, internal audit and actuarial functions) to be notified to the Regulatory Authority within 1 business day.

### **[4.24]      Rule 5.1.2 (3) (a)**

*omit*

*a approved website;*

*insert*

*an approved website;*

#### **Explanatory note**

This amendment corrects a minor drafting error.

### **[4.25]      Rule 5.2.2 (2) (c)**

*omit*

*in included*

*insert*

*is included*

#### **Explanatory note**

This amendment corrects a minor drafting error.

---

**[4.26] Section A1.2, guidance 9 (including the preceding heading)**

*substitute*

**Collective suitability of individuals or other persons connected to an authorised firm**

9 Although an individual exercising a *controlled function* must be an *approved individual*, and an *authorised firm* must appoint individuals to certain controlled functions, in assessing the *fitness and propriety* of an *authorised firm* the *Regulatory Authority* will also consider:

- (a) the collective suitability of all of the firm's staff taken together, and whether there is a sufficient range of individuals with appropriate skills and experience to understand, operate and manage the firm's affairs in a sound and prudent manner; and
- (b) the individual suitability of each person connected with the firm, and the collective suitability of all such persons; and
- (c) whether the firm has robust human resources policies designed to ensure high standards of conduct and integrity in the conduct of its activities; and
- (d) whether the firm has appointed auditors, actuaries and advisers with sufficient experience and understanding of the firm's activities.

**Explanatory note**

This amendment substitutes new guidance omitting outdated cross-references.

**[4.27] Schedule 2, section 1**

*omit*

**1.2 Independent entities**

- r 4.2.10 (Non-QFC independent entities—annual compliance certificate)

**Explanatory note**

This amendment removes a reference to an annual report that is not made to the Regulatory Authority.

**[4.28] Schedule 2, section 6**

*substitute*

**6 PINS**

**6.1 Prudential returns**

- r 1.4.1

**6.2 Financial condition reports**

- r 9.1.2

**6.3 Special review reports**

- r 9.1.5

**6.4 Actuarial reports**

- r 9.2.4 (4)

**Explanatory note**

This amendment inserts references to reports required by ch 9 substituted by another amendment.

**[4.29] Schedule 3, section 5**

*substitute*

**5 CTRL**

**5.1 Risk tolerance and risk management**

- r 2.2.4 (3)

**5.2 Authorities and duties**

- r 2.3.6

**5.3 Temporary exercise of customer facing function**

- r 3.2.7 (1) (f)

**Explanatory note**

This amendment replaces a number of outdated references.

**[4.30] Appendix 4, rule A4.3.1 (A) and (B)**

*omit*

Rule A4.2.1 (A)

*insert*

rule A4.2.1 (1) (a)

**Explanatory note**

This amendment corrects 2 cross-references.

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## Part 4.5                      Amendments of the Investment and Banking Business Rules 2005

### [4.31]    Rule 1.3.3 (2)

*omit*

Subsection (1)

*insert*

Subrule (1)

#### **Explanatory note**

This amendment corrects a reference.

### [4.32]    Section 2.8, guidance

*substitute*

#### **Guidance**

For the meanings of the following terms used in section 2.8, see rule 2.6.2:

- *tier 1 capital*
- *tier 1 capital after deductions*
- *tier 2 capital*
- *lower tier 2 capital.*

#### **Explanatory note**

This amendment substitutes reformatted guidance with the correct term “lower tier 2 capital” instead of “lower two tier capital” formerly used.

### [4.33]    Section 3.3, guidance

*omit*

the *CTRL*.

*insert*

*CTRL*.

#### **Explanatory note**

This amendment corrects a reference.

**[4.34] Rule 4.1.2**

*substitute*

**4.1.2 Abbreviations used in ch 4 and app 4**

In this chapter and in appendix 4—

**CCF** means credit conversion factor;

**CEA** means credit equivalent amount;

**CPCOM** means counterparty risk capital component;

**CPW** means counterparty weighting;

**CPX** means amount of the *exposure*;

**CRCOM** means credit risk capital component;

**CV** means contracted value for delivery;

**MV** means market value;

**NP** means nominal principal amount;

**OTC** means *over the counter*;

**PFCE** means potential future credit exposure;

**T** means trade date (that is, the date on which the relevant transaction is entered into).

**Explanatory note**

This amendment regularises the form of the definitions for the abbreviations used in ch 4 and app 4.

**[4.35] Rule 4.2.2 (1)**

*omit*

be approved by the *Governing Body*.

*insert*

(e) have been approved by the firm's governing body.

**Explanatory note**

This amendment regularises the paragraphing of the subrule.

---

**[4.36] Chapter 6, guidance 2**

*substitute*

- 2 *Liquidity risk* tends to compound other risks. If an authorised firm has a position in an illiquid asset, its limited ability to liquidate that position at short notice will compound its *market risk*. For example, suppose an authorised firm has off-setting cash flows with 2 different *counterparties* on the same day. If the *counterparty* that owes it a payment defaults, the firm will have to raise cash from other sources to make its own payment. If it cannot do so, it too will default. Here, *liquidity risk* is compounding *credit risk*. Although a localised problem, it can cause a chain of events which ultimately cripple the markets. For example, a default by a major market participant might cause liquidity problems for a number of its *counterparties*. This might cause those *counterparties* to fail to make payment on their own obligations and a liquidity crisis could spread throughout the market.

**Explanatory note**

This amendment corrects a number of minor errors.

**[4.37] Chapter 8**

*omit*

**Explanatory note**

This amendment removes a chapter that consists only of a heading.

**[4.38] Appendix A3**

*omit*

**Explanatory note**

This amendment removes an appendix that consists only of a heading.

**[4.39] Rule A4.11.29, guidance 1, paragraph d**

*substitute*

- (d) If the underlying position is an undrawn credit commitment to a corporate *person*, the capital treatment resulting from the acquisition of *maturity mismatched* unfunded protection at T0 is as follows:
- (i) 10% risk weight (that is, 20% (the risk weight of a *deposit-taker* authorised in Qatar (including the QFC) or a *zone 1 country*) × 50% (CCF of an undrawn credit commitment)); plus

- (ii) 25% risk weight (that is, 50% (the original risk weight of the corporate *person* × CCF of an undrawn commitment) × 50% (CCF of a commitment with uncertain draw-down)).

**Explanatory note**

This amendment corrects a number of minor errors.

**[4.40] Appendix A5, section A5.8, guidance 3**

*omit*

quantative

*insert*

quantitative

**Explanatory note**

This amendment corrects a minor error.

**[4.41] Appendix A5, section A5.8, guidance 4**

*omit*

quantitive

*insert*

quantitative

**Explanatory note**

This amendment corrects a minor error.

**[4.42] Glossary**

*insert the following definitions*

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

***base capital requirement*** for an authorised firm has the meaning given by rule 2.4.1.

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

***lower tier 2 capital*** means capital that is lower tier 2 capital under the table in rule 2.6.2.

***QFC*** means Qatar Financial Centre.

***Regulatory Authority*** means the Regulatory Authority of the QFC.



*tier 1 capital* means capital that is tier 1 capital under the table in rule 2.6.2.

*tier 2 capital* means capital that is upper tier 2 capital or lower tier 2 capital under the table in rule 2.6.2.

*upper tier 2 capital* means capital that is upper tier 2 capital under the table in rule 2.6.2.

**Explanatory note**

This amendment inserts a number of definitions specific to PIIB that were formerly in INAP.

**[4.43] Further amendments—italics and capitalisation**

<i>item</i>	<i>omit</i>	<i>insert</i>
1	<i>Authorised Firm</i>	authorised firm
2	<i>Authorised Firm's</i>	authorised firm's
3	<i>Lower Tier Two Capital</i>	lower tier 2 capital
4	<i>Lower Tier Two NTB</i>	lower tier 2 NTB
5	<i>QFC</i>	QFC
6	<i>Regulatory Authority</i>	Regulatory Authority
7	<i>Tier One</i>	tier 1 capital
8	<i>Tier One Capital</i>	tier 1 capital
9	<i>Tier One NTB</i>	tier 1 NTB
10	<i>Tier One TB</i>	tier 1 TB
11	<i>Tier Two Capital</i>	tier 2 capital
12	<i>Tier Two NTB</i>	tier 2 NTB
13	<i>Tier Two TB</i>	tier 2 TB
14	<i>Upper Tier Two Capital</i>	upper tier 2 capital

**Explanatory note**

These amendments remove unnecessary italics and capitalisation.

## Part 4.6 Amendments of the Private Placement Schemes Rules 2010

### [4.44] Rule 6.5.2, note

*omit*

(see CTRL, r 1.1.1 (4)).

*insert*

(see CTRL, r 5.1.1)).

#### Explanatory note

This amendment updates a cross-reference.

### [4.45] Glossary, definition of *controlled function*, note

*substitute*

*Note* See CTRL, ch 3, for the functions that are controlled functions.

#### Explanatory note

This amendment updates a cross-reference.

### [4.46] Glossary, definition of *CTRL*

*substitute*

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

#### Explanatory note

This amendment substitutes a definition referring to the *Governance and Controlled Functions Rules 2012*.

### [4.47] Glossary, definition of *INDI*

*substitute*

*INDI* means the *Individuals Rules 2005*.

#### Explanatory note

This amendment corrects a citation.