

# Representative Office Framework - FAQ

March 2021

## Section 1: General Provisions - Regulated Activities

The Regulatory Authority's Representative Office ("RO") framework is designed to distinguish clearly between permitted RO activities (as described in the Representative Office Rules 2020 ("REPO")) and all other regulated activities, particularly the activities of arranging and advising. Activities involving customers should generally be handled by the Head Office ("HO").

<u>Operating a Representative Office</u>	<u>Arranging or Advising Deals in Investments or Credit lines</u>
<ul style="list-style-type: none"> <li>• <i>Providing information (but not advising) about the head office's financial services and products <u>if the information is general in nature.</u></i></li> <li>• <i>Act as a channel of communication between the head office and the head office's customers.</i></li> <li>• <i>Conducting market research or feasibility studies.</i></li> <li>• <i>Reporting to head office on business trends, opportunities and developments in Qatar.</i></li> </ul>	<ul style="list-style-type: none"> <li>• <i>Making arrangements, or agreeing to make arrangements or give advice, with a view to another person buying/selling/ subscribing/underwriting an investment or accessing credit</i></li> </ul> <p><i><u>Exclusion:</u> A person does not carry on the Specified Activity of Arranging Deals in Investments or Credit merely by providing the means by which one party to a transaction is able to communicate with other parties to such a transaction.</i></p> <p><i><u>Exclusion:</u> The giving of advice in a newspaper, journal, magazine, or other periodical publication is excluded from the Specified Activity of Advising on Investments provided that the principal purpose of the publication or service taken as a whole (including any advertisements or other promotional material contained in it) is not Advising on Investments or leading or enabling a person to Deal in Investments, Effect Contracts of Insurance, or Carry Out Contracts of Insurance.</i></p>

For example, RO activities would not include:

- account opening activities
- soliciting or receiving deposits
- granting loans
- fact-finding and suitability assessments
- drawing, accepting, endorsing or discounting bills of exchange
- establishing letters of credit
- performing or completing the KYC process
- dealing in securities or derivative products
- Terms of Business sign-off
- complaints handling and/or dispute resolution concerning financial services business conducted in Qatar
- providing product or service documents that are specific in nature, i.e. specifying product and service features around past performance data, risk criteria, etc.

The Customer and Investor Protection Rules 2018 ("CIPR") deal with the regulatory requirements around how an authorised firm should conduct its business with a customer. CIPR requires firms to address the following matters:

- how a firm advertises to prospective and existing customers;
- how it first discloses its regulatory status, products and services;
- how it gathers information on the customer;
- how it undertakes regulated activities (other than REPO activities) in respect of a customer; and
- how it deals with a customer after having undertaken regulated activities.

The RO framework specifically disappplies CIPR because it does not allow RO firms to conduct business with customers in the way CIPR envisages. RO firms should not be forming a regulatory customer relationship as set out in CIPR. If a firm is doing activities that CIPR rules would apply to, then it is not an RO.

## Section 2: Conduct, Marketing and Disclosures

While an RO may serve as a “channel of communication between the HO or member and actual or potential customers of the HO or member in Qatar” [REPO Rule 1.1.5(2)(b)(i)], the Regulatory Authority is of the view that the RO liaising with customers on behalf of HO would be an unusual or exceptional circumstance. It is important that a customer's primary point of contact is with the HO, not the RO, and that the customer understands this.

With today's ease of using electronic communication, it would be unusual for the HO to need the RO's assistance in its communications or dealings with customers or for a customer to need the RO's assistance.

### Questions on Documentation from Customers

May a customer drop off documents for the HO to the RO?

Yes. The rules allow the RO to act as a channel of communication between the customer and the HO.

If a customer needs to scan documentation to send soft copies to the HO, may the RO assist?

Yes.

If the HO needs certified copies of documents from a customer, or any confirmation that the original document was sighted, may the RO do the certification?

Yes, if it is a straightforward certification that the RO has sighted the original document. The RO should not be assisting with more complex items such as customer mandates as that could be considered arranging deals in investments.

May the RO review documentation for completeness, etc.?

No, that should be done by the HO. The RO should not involve themselves in customer transactions.

May the RO assist the customer in filling-out documentation for HO?

No. The RO should refer the customer to the appropriate person at HO for assistance.

May the RO collect the relevant AML documentation from a client?

Collecting documentation from a client should follow all the guidelines above concerning documentation.

Please refer to section 4 of this FAQ if the MLRO is resident in Qatar.

Some REPO rules, for example, 2.2.3, says ROs must not market products or services unless they are 'specified products' or 'specified activities'. But ROs are not allowed to market specific products or services. This seems contradictory.

When REPO refers to 'specified products' or 'specified activities', it is referring to Parts 2 & 3 of Schedule 3 of the Financial Services Regulations, which list the types of products and activities firms regulated by the QFCRA may potentially conduct.

ROs marketing of products and services may only relate to those activities in the Financial Services Regulations but must be of a general nature.

A firm that does not conduct financial services, for example, a construction company, would not be allowed to have an RO in the QFC as its activities do not relate to the specified products and activities in the Financial Services Regulations.

## Questions About Communications with Customers

May the RO be copied in on emails between the HO and a customer in Qatar?

Yes. However, the RO must not commence or add to the discussion if it involves specific products or services or information that could be interpreted, for example, as conducting the regulated activities of arranging or advising.

May the RO call/contact the customer at the request of HO?

Yes, but the RA expects that this would be in unusual circumstances as the HO should contact the customer directly.

The RO should not be the main point of contact for a customer, nor representing itself as such. Customers should have a primary point of contact at the HO.

May the RO forward queries/requests from customers to the relevant persons at HO?

Yes, only if acting as a channel of communication. However, customers need to remain aware that the RO is not the primary point of contact with the HO, nor should the RO represent themselves as such.

May the RO maintain local currency accounts on behalf of HO customers?

No. Rule 3.1.5 only allows the RO to maintain accounts for its operational expenses. ROs may not hold money that belongs to persons outside the RO's Group.

If people from HO come to Qatar to meet with a customer, may someone from the RO accompany them?

Yes, but if a person from the RO attends HO meetings with customers, it must be made clear that the HO individuals are who the customer is dealing with. The RO representatives may be present but may not

participate in the meeting to undertake regulated activities other than REPO activities, e.g. may not engage in arranging and advising or providing information about specific products and services. HO staff must handle all communications that could be construed as arranging or advising on specific products and services.

May the RO assist HO with translation? For example, acting as a translator between HO and the customer in meetings, or translating documentation or other communications between HO and the customer?

Yes, but an RO needs to be mindful of restrictions on being involved in customer transactions to the extent that the RO is arranging or advising or being the primary point of contact for customers.

The Regulatory Authority recognises that the HO staff might not be proficient in a language used by the customer in Qatar, so the RO may need to assist. There is a concern that if the RO continually acts as the translator between the customer and HO, then the RO will, in essence, become the primary point of contact for the customer.

The RO should only do occasional translation work between customers and the HO. This could include attending meetings between HO staff and a customer, but it must be made clear that the RO representative is there for translation purposes only. The RO may also translate the occasional communication. The HO should consider a long-term solution for translation issues and not rely solely on the RO for Qatar customers' translation needs.

May the RO provide information that could specifically assist the customer with a transaction with the HO, such as the HO's IBAN for transfers?

Yes, as that information is not specific to a product or service. However, the RA expects such requests to be rare as the customer would be

expected to contact HO for such information. ROs should not provide information about specific financial products or services.

### Marketing

REPO section 1.1.5 specifies that the RO may provide information concerning the firm's financial services or financial products if the information is general in nature.

The rules provide examples of 'general information' (general market or risk study, investment research, a published prospectus). The RO needs to take care that it does not market specific products or services.

### **Examples of acceptable marketing**

- Sponsoring an event where the company's logo is displayed along with generic information: "XYZ Bank, for your project financing needs"; "XYZ Bank has a wide range of products to meet your retirement needs."
- Marketing material that contains general factual information about the company: "XYZ Bank is rated A+ by [credit rating agency]"; "XYZ Bank is one of the largest banks in [country]."
- High-level information about the company's services: "XYZ Bank has an experienced team specialised in financing for large-scale oil & gas projects."
- For published prospectuses, the RO can have copies of these generally available for people to pick up, but the RO should not actively distribute these materials to the public. If asked questions about prospectuses, the RO should refer the person to the HO.

### **Examples of unacceptable marketing**

- Specific information about a product or service to attract customers: “XYZ Bank offers loans to businesses at rates as low as 4.5%.”
- Mentioning specific products: “We offer two different kinds of retirement savings plans: XYZ Wealth Savings and XYZ Annuity.”
- Showing marketing material containing specific performances in numbers or graphs: “XYZ Bank beat the benchmark of 10% in 2020.”
- General information on prospectuses: the RO cannot actively distribute or discuss details of a prospectus or its content, nor portray it as potentially suitable to parties in any circumstances. The RO can provide copies of published prospectuses on request.

May the RO maintain a social media presence?

Yes, but the RO must remain mindful of not using social media accounts to advertise specific financial products or services, including forwarding posts from others connected to HO or the Group that may contain information on specific financial products or services.

May the RO introduce HO's customers, for example, based in the home jurisdiction, to persons in Qatar for discussions of mutual trade or business?

Yes, introducing two parties for that purpose would not be considered a regulated activity. The RO must be mindful not to promote the HO's specific products and services in doing so.

## Section 3: Administration (Jurisdictions, Approved Individuals, Other Administrative Matters)

May the SEF also be the MLRO?

No, the MLRO should be independent of individuals in charge of marketing and other RO activities.

REPO 3.1.1 notes that an applicant for a RO has to be from a regulated jurisdiction “substantially equivalent” to the QFC. What jurisdictions are deemed to have substantially equivalent regulation? Is there a list published by the QFCRA?

No, the QFCRA does not have a published list. As there are many jurisdictions in the world, and in some cases, different types of entities have various regulators in the same jurisdiction, the QFCRA does not have the resources to assess every jurisdiction. Assessments will take place when an applicant from a particular jurisdiction expresses interest in having an RO.

In general, when assessing a jurisdiction, the QFCRA would be looking at membership and overall compliance with various international regulatory standards, such as those published by the BCBS, IAIS, IOSCO, FATF, etc. Reviews of a jurisdiction’s specific laws and regulations might also be conducted.

What are the fees for establishing an RO?

At this time, the Regulatory Authority has not established a fee for applying to open an RO. However, the fees for Approved Individual applications would still apply, currently USD \$500 per application. Two approved individuals must be approved for an RO (senior executive function and MLRO function).

The Regulatory Authority may consider supplementary fees for an RO (as per GENE rules) if an RO application, or the Supervision of the firm or its Approved Individuals, is deemed to have incurred excessive costs. This would be on a case-by-case basis.

Is there an annual fee for an RO?

At this time, the Regulatory Authority has not established an annual fee for ROs. However, the fees for Approved Individuals would still apply, currently USD \$500 per person per year.

May the SEF or other employee of the RO also work for other financial services companies?

No. Employees of an RO may not also be an employee, director, or have other day-to-day responsibilities for any other financial enterprise operating in Qatar. (see REPO rules 2.2.6 and 3.1.6).

## Section 4: AML/CFT

**Important Note:** While section 5 of REPO states that an RO is exempt from the Regulatory Authority's detailed AML Rulebooks (the AML and AMLG rulebooks), the RO is not exempted from the State of Qatar's AML Law and related regulations. The RO must still meet its responsibilities under the State legislation.

If the RO is not supposed to have customers or deal with customer transactions, why is the AML Law applicable to ROs?

The State of Qatar AML/CFT Law has a broader scope than at a purely customer/transaction level. A regulated entity must report any suspicions of potential money laundering or terrorist financing activity, which could include **attempts** to perform suspicious transactions, or when an entity has **reasonable grounds for suspicion** about certain activities.

Due to the nature of an RO, the Regulatory Authority recognises that there may be limited circumstances where suspicion arises at the general marketing stage. However, if a suspicion did arise, then an STR would need to be filed.

By having the AML/CFT Law apply to ROs, and a requirement for an MLRO Function, the Regulatory Authority helps ensure that, when customers are referred to the HO, an appropriate level of AML/CFT screening and ongoing oversight will be performed.

While REPO states the MLRO may be either resident or non-resident, what is the Regulatory Authority's expectation?

Given the limited activities that an RO may perform, the Regulatory Authority's general expectation is that the MLRO Function would not be

ordinarily resident in Qatar. It would be unusual for the RO to have the expense of a resident MLRO given that the RO does not engage in customer transactions, arranging, advising, or similar activities.

May the SEF also be the MLRO?

Please refer to section 3 of this FAQ.

May the RO collect the relevant AML documentation from a client?

Yes, but please refer to section 2 of this FAQ for discussions around documentation.

An exception to the points noted in section 2 would be if the RO's MLRO was resident in Qatar, as they would be responsible for collecting relevant KYC documentation as part of the AML process. The MLRO may collect all required AML documentation from prospective customers and review them per AML procedures.

The RO has referred a person to the HO. During its interactions with the customer, the HO has a suspicion about a customer that results in a notification to the RO's MLRO, who decides to file a Suspicious Transaction Report ("STR"). Should the STR be sent to the Financial Information Unit ("FIU") in the HO jurisdiction or the Qatar Financial Information Unit ("Qatar FIU")?

The RO does not have customers, so the interaction is between the customer and the HO. The STR should definitely be sent to the FIU in the HO jurisdiction in the first instance; however, if the conduct raised suspicion during any initial marketing, then consideration should be given to filing an STR with the Qatar FIU. Please refer to Qatar FIU's guidance.

As part of its AML procedures for the RO, the MLRO should consider these types of scenarios and put in its procedures whether the Qatar FIU should also be informed and at what time. There could be external factors

involved; for example, some jurisdictions may have confidentiality requirements that preclude STRs from being reported in both jurisdictions. The HO would need to consider such factors when creating its procedures.

If the **RO** has suspicions about a person and informs the MLRO, should an STR be filed with the Qatar FIU?

Yes. The RO is a Qatar-based entity and must follow the State of Qatar AML/CFT Law and relevant regulations' reporting requirements. This is different from the above example as, in that case, it was the HO that had the suspicions, as opposed to the RO.

## **Section 5: Disapplication of QFC Regulatory Authority (“QFCRA”) Rulebooks**

Aside from REPO are the other QFC regulations and rulebooks not applicable to ROs?

No. An RO is not exempt from QFC Regulations (for example, the Financial Services Regulations, Data Protection Regulations, and so forth), nor is it exempt from applicable State of Qatar Laws (such as the State of Qatar's AML/CFT legislation), and section 5 of REPO states that in some cases ROs are only exempt from specific provisions in Regulatory Authority rulebooks, such as the General Rules 2005.

The RO should follow any applicable Laws, Regulations and Rules unless section 5 of REPO expressly excludes it.