QFC
Qatar Financial Centre

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AL TAMIMI & CO.

Setting up in the Qatar Financial Centre

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Forewords

Our guide 'Setting up in QFC' aims to provide companies and individuals with the vital information they need when considering setting up a business in the QFC. This guide seeks to answer some of the most important questions that investors face regarding their business structures based on specific activities they wish to undertake.

As one of the GCC regional business hubs, Qatar is experiencing a growth phased and consistently strives to reinforce its positions as a commercial, cultural and economic leader in the GCC and beyond.

We were honoured to work with the QFC to develop this guide and trust that you will find this information valuable and provide you with a greater understanding of the business and legal aspects of setting up a business in the QFC.

We look forward to the opportunity to work with you to ensure your success when doing business in Qatar.

We are proud to collaborate with Al Tamimi & Company on the "Setting up in the Qatar Financial Centre (QFC)" guide, which offers an in-depth look at the Qatar Financial Centre (QFC) and how you can benefit from its regulatory, tax and business infrastructure, as well as its world-class legal regime that is supported by an independent judiciary comprising the Civil and Commercial Court and the QFC Regulatory Tribunal.

The QFC offers a range of services to licensed firms in order to facilitate market entry and enhance their success, and "Setting up in the Qatar Financial Centre (QFC)" guide will take you through each section step by step.

We hope you find this guide useful, and we look forward to welcoming you to the QFC.

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QFC
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Chapter One

An Introduction to the QFC

An Introduction to the QFC

Qatar

As the world's leading exporter of liquefied natural gas, Qatar is one of the fastest growing economies in the world. Its economy is expected to grow by 7.7 percent in the year of 2015 despite oil price plunge. It has the world's highest GDP per capita at well over US$ 100,000, a strong population growth, solid credit rating and it has achieved budget surpluses for many years.

Qatar is using its wealth and large revenues from oil and gas to enhance long-term developments in other economic sectors in accordance with Qatar's National Vision of 2030. Qatar's National Vision of 2030 sets out the state's long-term economic, social, human and environmental development goals.

In an effort to attract foreign investment into Qatar, the Qatar Government has issued new laws to create a favourable business environment for foreign investors. Amongst these is Law No. 7 of 2005 creating the Qatar Financial Centre **(QFC Law).**

What is the QFC?

The QFC is a business and financial centre located in Doha. It was established by virtue of Law No. 7 of 2005 (as amended), with the aim to enhance growth and diversification of Qatar's economy, and to provide an attractive platform for firms to be established and do business in Qatar and the region. The QFC provides a transparent environment and offers flexibility to conduct business inside or outside Qatar.

The QFC was first set up to offer domestic and international firms the opportunity to establish and provide a broad range of financial services related to banking, asset management and insurance businesses. In addition to the financial-type regulated activities, the QFC expanded the scope of its permitted activities to include non-regulated activities that are not financial-type services.

The QFC offers its own legal, regulatory, tax and business infrastructure, which allows 100% foreign ownership, unlimited repatriation of profits and a competitive rate of 10% corporate tax on locally-sourced profits. Since the QFC is not a separate geographical zone, all entities in the QFC operate on a fully onshore basis with the ability to access the local market and operate from over 50 locations all over Doha with no restrictions on the currency in which they can trade.

Recent developments in the QFC

The QFC has recently undertaken several legal and structural enhancements. A number of enhancements have been introduced to clarify various aspects of the QFC legislation in order to give QFC entities more certainty and flexibility in various aspects of the entities' operations. In an attempt to provide a more efficient registration or incorporation process, the QFC agencies are now responding to applicants' applications to set up in the QFC in a shorter time frame.

The QFC has also expanded the scope of the non-regulated activities that can be undertaken. The Qatar Financial Centre Authority has recently broadened the definition of, amongst others, the provision of "professional services" to include "any business which provides qualified business to business services" such as management consulting, IT services, media, events management and engineering and environmental consulting. A range of structures for investing and holding assets, or managing business interests and operations can also be accommodated.

More information on the professional services activities which are permitted as non-regulated activities is set out in Chapter Four.

How is the QFC made up?

The QFC is made up of four independent bodies:

1. The QFC Authority **(QFCA)**;
2. The QFC Regulatory Authority **(QFCRA)**;
3. The Civil and Commercial Court; and
4. The Qatar Regulatory Tribunal

For a full explanation of each of these bodies, please refer to Chapters Two and Nine.

What are the permitted financial activities in the QFC?

The financial services currently permitted and regulated by the QFCRA are:

- Banking
  - Corporate or wholesale banks;
  - Investment banks; and
  - Private banks

- Asset Management
  - Retail schemes;
  - Qualified investor schemes; and
  - Private placement schemes

- Insurance/Reinsurance
  - Captives;
  - (Re) Insurance brokerage; and
  - Islamic finance

- Investment advice and investment services
  - Fiduciary businesses

What are the areas of non-regulated activities in the QFC?

The following activities are deemed to fall within the ambit of non-regulated activities:

- Professional, corporate and business services;
- Company headquarters, management offices and treasury functions;
- Special purpose companies;
- Holding companies;
- Trusts and trust services; and
- Single family offices

The Board of the QFCA has approved a list of 17 additional non-regulated activities which could fall within the realm of "professional services". QFC-licensed firms must operate within the remit of sophisticated business-to-business services. Activities which cannot be performed include construction, the import, manufacture or sale of physical goods, and labour-intensive services. Companies providing such activities can nevertheless benefit from the QFC environment by establishing holding, investment or management structures within the centre. The complete list of non-regulated activities is set out in Chapter Four.

What laws apply in the QFC?

The QFC provides an alternative legal system to that of the State of Qatar. However, certain laws are still applicable to QFC entities, such as the Law No 11 of 2004 establishing the Penal Code and Law No 4 of 2010 Combating Money Laundering, which is applicable to regulated entities undertaking financial services in the QFC.

The QFC has developed a comprehensive set of laws, rules and regulations for businesses. For example, QFC regulations cover the following areas:

- Contract;
- Financial services;
- Insolvency;
- Immigration;
- Employment;
- Data protection; and
- Tax

In December 2013, the Qatar Central Bank, QFCRA and the Qatar Financial Markets Authority jointly launched a strategic plan for the future of financial sector regulation in Qatar. The plan established a framework to unify policy under a Financial Stability and Risk Control Committee.

Tax in the QFC

Whilst tax havens are under increasing international pressure for many reasons which may have put pressure on corporations, funds and investment structures to move away from off-shore domiciles, QFC remains an onshore jurisdiction with a highly cost-effective operating environment. The QFC offers the following benefits:

- No withholding tax, personal income tax, wealth tax, zakat or value added taxes **(VAT)**;
- Corporate tax rate of 10% on locally-sourced profits;
- Tax exemptions for company headquarters and holding companies on most activities, dividends and capital gains;
- Tax exemptions for qualifying special purpose vehicles;
- Tax exemptions for investment holding companies;
- Binding advance rulings from the QFCA on tax issues, providing QFC-licensed firms with a high degree of certainty; and
- Double taxation agreements with over 60 different countries

The QFC publishes its entire in-house tax guidance the "QFC Tax Manual" online. The manual is intended to help corporate taxpayers and their agents interpret the rules and regulations and to provide them with greater certainty, clarity and assistance in preparing tax computations and returns. The QFC tax regime is more fully set out in Chapter Eight.

The QFC and the State of Qatar

One of the key differences between setting up in the QFC as opposed to Qatar is that regulated entities undertaking financial services in the QFC will not be subject to the Qatar Central Bank's regulations, although as mentioned above, they would still have to comply with the Law Combating Money Laundering.

The other key difference is that QFC entities are not subject to the ownership restrictions provided for under the Law No 13 of 2000 establishing the Foreign Capital Investment Law. The general rule for

setting up an entity in Qatar requires a Qatari shareholder to hold at least 51% of the company's shares. The Foreign Investment Law of Qatar only permits 100% foreign ownership in particular areas stated under the Foreign Investment Law subject to the Minister of Economy and Commerce's approval (which is discretionary).

However, the QFC allows for the establishment of 100% foreign owned entities, whether in the form of a limited liability company, branch of a non-QFC company, limited liability partnership or a branch of a non-QFC limited liability partnership. It also allows for the establishment of special purpose companies that are companies set up to carry out specific transactions. More details on the setting up of a special purpose company in the QFC are set out in Chapter Four.

Whilst the actual process of setting up a legal entity in the State of Qatar requires the involvement of the Ministry of Economy and Commerce at various stages of the incorporation process and may require communication with other government authorities for certain approvals, the set up process in the QFC is a clear and streamlined process where there is a dedicated relationship manager to support individuals and companies wishing to be licensed in the QFC. Under the QFC Law, any person properly licensed in the QFC does not require any further licenses from the State of Qatar.

The QFC's tax regime features more transparency, certainty, availability of materials on line, and accessibility for ruling than one would find under the State tax regime.

The QFC and the Dubai International Financial Centre (DIFC)

Similar to the QFC, the DIFC is a business centre established in the Emirate of Dubai to attract foreign direct investment. Both the QFC and the DIFC judges seem to apply English-style common law, and therefore, the QFC and the DIFC share many similarities in respect of the treatment of foreign investors setting up within the QFC and the DIFC and the exemption from a number of specific laws such as foreign investment laws.

The DIFC has three independent bodies: the DIFC Authority, the Dubai Financial Services Authority **(DFSA)** and the DIFC Judicial Authority.

However, while the DIFC is a defined and separate geographical "free zone" area, the QFC is not a geographical area; it is an onshore jurisdiction that is separate from the jurisdiction of the State of Qatar. For example, unlike a DIFC-licensed entity which has to have its office in the DIFC geographic

area, a QFC licensed entity can have its office and conduct its business anywhere in Qatar provided that the approval of the QFCA has been obtained in respect of the particular premises.

The DIFC is a dollar-denominated environment that does not permit regulated entities licensed by the DFSA to deal with or trade in the UAE dirham. However, the QFC has no restrictions in terms of currency in which QFC-regulated entities may deal; they may deal in or take deposits in Qatari Riyals or any other currency.

The QFC and the Bahrain Monetary Authority (BMA)

Unlike the entities undertaking financial services in the QFC and the DIFC that are exempted from the respective central banks' regulations and certain other local laws, financial activities in Bahrain are regulated by the Bahrain Monetary Authority **(BMA)**, which is the Kingdom of Bahrain's central bank and the single regulator for the financial services industry.

Although Bahrain does not have international business centres similar to the DIFC and the QFC where investors can obtain certain exemptions such as 100% foreign ownership of businesses and tax exemptions. It also does not impose any personal income tax, withholding tax or capital gains tax. Furthermore, the BMA provides separate rules for banks and Islamic financial institutions and firms providing investment businesses.

Bahrain has also established the Bahrain Financial Harbour, where financial institutions can be located in one focal area in an effort to enhance Bahrain's position as a financial capital in the Middle East.

Limits To Where QFC Firms Can Operate

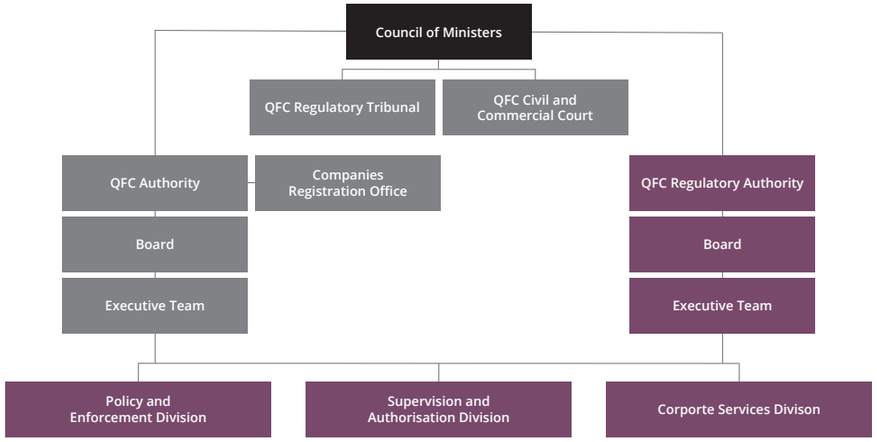
All firms in the QFC operate on a fully onshore basis. They can access the local market, operate from any of well over 50 locations all over Doha and face no restrictions regarding the currency in which they can trade. A firm's customers may be based locally, regionally or internationally. However, a firm may not engage in any financial activities prohibited by the QFCA or QFCRA, irrespective of where its customers are based.

Chapter Two

Structure of the QFC

Structure of the QFC

There are several key organisations within the QFC which enable it to function as a self-contained financial services centre based on international standards:



Qatar Financial Centre Authority (QFCA)

The QFCA is responsible for managing commercial and strategic aspects of QFC registration. It was established by virtue of the QFC Law to undertake commercial strategy and business development for the QFC. The QFCA carries out the following main objectives and responsibilities:

- Establishing, developing and promoting the QFC;
- Managing and maintaining the QFC legal and tax environment; determining the terms and conditions for the issuance of licences for the entities carrying out permitted activities in or from the QFC; and providing assistance and services to QFC entities through the set-up process and beyond.

Qatar Financial Centre Regulatory Authority (QFCRA)

The QFCRA is an independent body established under the QFC Law, which authorises and supervises financial services firms that conduct regulated activities in or from the QFC.

The Civil and Commercial Court

The Civil and Commercial Court (first instance and appeal division) is an independent court which is modelled on the courts of common law jurisdictions, from where most of the judges hail.

The Civil and Commercial Court has jurisdiction in relation to civil and commercial disputes arising from business relationships or incidents where a QFC entity or institution is a party to the dispute.

The Regulatory Tribunal

The Regulatory Tribunal is an independent body established to hear and decide on appeals from decisions of the QFCRA and the QFCA and their departments. The Regulatory Tribunal was established with the intent that the rights and interests of QFC entities would be protected in accordance with the law.

Procedures at the Civil and Commercial Court and the Regulatory Tribunal are conducted in English; however, the parties have the right to use Arabic. The courts have their own procedural rules which are distinct from the rules applicable to and in the courts of the State of Qatar, albeit not as extensive as rules one would find in most common law jurisdictions. This is dealt with more extensively in Chapter Nine (Courts)

Chapter Three

The Legal Framework

The Legal Framework

QFC Law

The QFC Law establishes the judicial bodies necessary for its operation. These include the, the Civil and Commercial Court (first instance and appellate divisions) and the QFC Regulatory Tribunal.

The Chairman of the QFCA, in his capacity as Minister of Finance, has the power to enact regulations that are administered by the QFCA, including any appropriate amendments or modifications. Some regulations – such as those concerning the QFCRA, the Civil and Commercial Court and the QFC Regulatory Tribunal – need the consent of the Council of Ministers before being enacted.

Key provisions

The QFC Law contains provisions concerning a number of areas. These include provisions regarding:

- The QFC Board, its make-up, powers and authorities;
- The QFCA, its objectives and powers;

- The Companies Registration Office;
- The QFCRA, the Regulatory Tribunal and the Civil and Commercial Court;
- Powers to make regulations;
- Permitted activities;
- Licensed operations;
- Revenues of QFCA; and
- Taxation

Each of the QFCA, the QFCRA, the Regulatory Tribunal and the Civil and Commercial Court, is exempted from the control of the State Audit Bureau. However, such authorities are required to maintain accounting records which are sufficient to show and explain their transactions.

The QFC authorities mentioned above are also not subject to any civil liability in relation to all acts or omission done or omitted to be done or negligence in good faith during course of performing or trying to perform their duties, powers, responsibilities and tasks as prescribed in the QFC Law or other regulations.

Interaction with other laws

The criminal laws and sanctions of the State of Qatar apply in the QFC. However, pursuant to article 18 of the QFC Law, the conduct of any business in the QFC in accordance with the approval, authorisation or licence issued under the QFC Law and in compliance with QFC regulations shall not constitute an offence or be a breach of any criminal or other law applicable in the State.

Article 18(2) provides that QFC laws and regulations shall apply to contracts, transactions and arrangements conducted by entities established in, or operating from the QFC, with parties or entities located in the QFC or in the State but outside the QFC, unless the parties agree otherwise. Apart from the reference to the criminal laws above, the QFC Law does not make provision as to what occurs where the QFC laws are silent concerning an aspect of non-criminal law, but it is understood that Qatar laws would be applicable in such circumstances.

Moreover, article 18(4) of the QFC Law authorises the QFCA to issue, and requires all State authorities to accept such, visas, permits and other documents for employment, or doing business in the QFC.

Furthermore, Article 18(2) states that QFC entities will only be able to conduct activities in the State in reliance on their QFC licence or authorisation. However, this article does not prevent QFC entities operating from a QFC location from entering the State and conducting the business and otherwise engaging in their QFC Permitted Activities (as defined below) that they have been authorised to conduct under their QFCA licence or QFCRA authorisation with persons or entities located in the State.

QFC permitted activities

The QFC Law generally, and the QFC Financial Services Regulations **(FSR)** more specifically, prescribe a range of activities, described as "Permitted Activities", which may be conducted in or from the QFC. Within the range of Permitted Activities, there are two sub-classifications: Non-Regulated Activities, which are not financial-type services and do not require extensive supervision, and Regulated Activities, which are those financial services that require close and continuing scrutiny to ensure prudential soundness and the proper conduct of those businesses. Under Article 11 of the QFC Law, both the QFCA and the QFCRA are empowered, among other things, to specify which activities may be conducted in or from the QFC, and to impose conditions on how those activities are conducted. The QFC Law requires all firms wishing to conduct Permitted Activities in or from the QFC to obtain a licence from the QFCA.

QFC regulations

QFC regulations establish the legal framework including legal and business infrastructure for those doing business in the QFC. The FSR are the primary regulations which define the management, objectives, duties, functions, powers and constitution of the QFCRA and set forth the prudential and compliance regime for QFC entities carrying out Regulated Activities (as discussed in Chapter Five).

Each of the QFCA, the QFCRA, the Regulatory Tribunal and the Civil and Commercial Court has the power to prepare and submit to the Minister of Finance any regulations and the Minister is empowered to enact the same. The Minister is also empowered power to enact amendments and modifications to, and may repeal, existing regulations.

Regulations may govern the following matters:

- The formation, registration, operations, rights and obligations of companies, partnerships and other entities incorporated in or operating in or from the QFC;

- The creation of QFC institutions and their respective management, objectives, duties, functions, powers and constitutions;
- The matters in relation to the QFCRA, the Regulatory Tribunal and the Civil and Commercial Court;
- Banking, financial and insurance-related activities carried out in or from the QFC ;
- Contract and agency and regulations relating to trusts applicable in the QFC;
- The jurisdiction of courts and arbitrators in and outside Qatar in connection with activities carried out in the QFC and the enforcement of contractual provisions;
- The giving and taking of security;
- Immigration and employment of, and the issue of visas and other permits to, persons working in or visiting the QFC;
- Prohibitions on money laundering and other financial improprieties;
- Privacy and the protection of private information; and
- Intellectual property rights.

QFCA rules

The QFCA Rules contain rules made and guidance issued by the QFCA. These rules expand on the provisions of other regulations administered by the QFCA. The QFCA Rules apply to all licensed firms, whether conducting Regulated Activities or not.

The QFCA is also granted a mediation and investigatory role in case of complaints and is required to make arrangements for the prompt, efficient, impartial and independent investigation of complaints made against it.

QFCRA rules

The QFCRA rules are rules made and the guidance issued by the QFCRA with respect to the operations of financial institutions and insurers and expand on matters contained in the FSR. Such rules include the Anti-Money Laundering and Combating Terrorist Financing Rules, the Assets Rules, Investment and Banking Rules, Insurance Business Rules, Collective Investment Schemes Rules and the Islamic Finance Rules, amongst many others.

Chapter Four

Non-Regulated Activities

Non-Regulated Activities

QFC entities are permitted to conduct a wide range of activities outside the sphere of what is classified as "financial and regulated" activities. As explained in Chapter Three, these are generally known as the Non-Regulated Activities. The QFC Law prescribes the activities which can be permitted as Non-Regulated Activities. For the purposes of this guide, we will cover the key segments of non-regulated Permitted Activities (as defined in Chapter Three), being professional and business services, corporate and holding structures and structures for families and individuals. The scope of each segment is set out in more detail below.

Professional and business services

When the QFC was first set up, firms that provided professional and business services to the financial service industries only were permitted to be established. That is no longer the case and QFC-licensed entities can now serve a much wider array of businesses. A wide range of companies and entities are active in the QFC under the permitted Non-Regulated Activity of "professional and business services". Professional and business service providers are firms that actively provide business to business services.

Professional and business services is a wide concept and is not limited to "auditing, accounting, tax, and legal services" as referred to specifically in the QFC Law, but extends to and includes the following types of activities:

- Advisory/consulting;
- Audit/accounting;
- Tax consulting;
- Human resources consulting;
- Marketing and brand management;
- Event management services;
- Public relations;
- Media;
- Advertising agencies;
- Media representation services;
- Legal services;
- Provision, formation, operation and administration of companies;
- Estate planning and will writing;
- Activities of patent and copyright agents;
- Business and professional education;
- Accreditation;
- Loss adjustment;
- Third party administration;
- IT consulting;
- Architectural activities;
- Engineering design activities for industrial process and production;
- Engineering related scientific and technical consulting activities;
- Environmental consulting activities;
- Urban planning and landscape architectural activities;
- Logistics planning and consulting;
- Project management;
- Specialised design activities;
- Translation and interpretation activities; and
- Other business to business services

This is not, however, an exhaustive list of professional and business activities. As at the time of writing, the QFCA considers that any "qualified business-to-business services" can fall within this category and are therefore, permissible. Other business-to-business services may be permissible to the extent that

the activities and the business meet the strategic fit of the QFC. To that end, the QFCA has actively been broadening its interpretation of what can constitute "professional and business services".

However, business activities where the firm will be directly involved in any construction, manufacturing, import and sale of goods or any labour intensive services are not considered as professional services within the Non-Regulated Activities, and are therefore not permissible.

Corporate and holding structures

This segment of Non-Regulated Activities cater to the corporate sector, i.e. businesses which require entities or structures to carry on either passive structures, or active management or corporate functions. This would include, by way of example, types of activities such as a mergers or acquisitions, holding or disposing of assets, owing subsidiaries, securitisation, raising funds, investment schemes, management and treasury functions.

Typically, these corporate structures have little or no operations, physical presence or employees in the jurisdiction in which they are created. They are devices to hold assets and liabilities, and do not undertake business activities. As devices, these corporate structures can be relatively cheap to create and maintain while offering possible taxation, regulatory and confidentiality benefits. Whilst these structures can undertake investment and financing-type activities, these activities are not regulated as they are provided as part of the transaction or as a related transaction within the group.

The QFC offers a number of specialised corporate entities and structures for the purposes of carrying out these type of corporate activities. There are five types of specialised corporate structures or functions available within the QFC, being:

- Special purpose companies;
- Holding companies;
- Corporate headquarters;
- Management functions; and
- Corporate treasury functions

These structures can cater to the needs of companies in any industry, such as financial services, construction, healthcare or energy. These specialised corporate structures are available to Qataris, foreigners, existing businesses

in Qatar or new enterprises to Qatar. The other operations carried out by the group or companies within a group, which relate to the specialised corporate structure to be created, do not have to be located in Qatar. A summary of the types of activities permitted by each of the structures and functions mentioned above is set out separately below.

Special purpose companies

A Special Purpose Company is a company incorporated under the Companies Regulations and registered by the Companies' Registration Office **(CRO)** as a "Special Purpose Company". A Special Purpose Company may only be established for the purpose of a "Transaction" being defined as an individual transaction or a series of transactions. A Special Purpose Company can only carry out the following activities:

- The acquisition, holding and disposal of any asset in connection with and for the purpose of a Transaction (i.e. transactions such as mergers and acquisitions or corporate restructuring exercises and acquiring, holding or disposing of assets (tangible or intangible));
- The obtaining of any type of financing, the granting of any type of security interest over its assets, the providing of any indemnity or similar support for the benefit of its shareholders or the entering into any type of hedging arrangements, in connection with and for the purpose of a Transaction (i.e. to obtain financing for a specific purpose or to place assets in a structure where they can be easily managed such as entering into hedging arrangements);
- Financing of: (i) the entity for which Transaction the Special Purpose Company has been established; or (ii) another Special Purpose Company;
- Acting as trust administrator or agent for any participant in a Transaction;
- Any other activity approved by the QFCA that falls within the permitted activities set out in Schedule 3 of the QFC Law, being the provision of professional services or the business activities of company headquarters, management offices and treasury operations, or qualifies as an exemption to the Financial Services Regulations (i.e. financial-type services which fall within one of the exemptions, such as transactions carried out within the same group of companies or in connection with a joint venture); or
- Activities that fall within any of paragraphs 1 to 9 of Schedule 3 to the QFC Law (e.g. financial or investment business, asset management, insurance, etc.) and which are not carried on by way of business

Key features

- A separate legal entity with limited liability;
- There is no minimum share capital requirement for a Special Purpose Company, which can be structured in both conventional and Sharia compliant forms;
- One or more members who is a nominee, financial transaction initiator or another Special Purpose Company;
- A Special Purpose Company can hold assets on behalf of third parties;
- There is no requirement to have an audit or file financial statements with the CRO (unless requested) and there is no requirement to hold annual general meetings;
- Most Special Purpose Companies are not subject to tax and advance rulings are available on their tax-exempt status.
- They have the flexibility of carrying out a wide range of activities to support the execution of different transactions

Support services provider

Certain types of companies can be managed by a support services provider, which can potentially minimise costs and thus increase competitiveness.

A Special Purpose Company is required to appoint and retain a QFCA-approved support services provider to perform corporate and administrative services. The QFCA currently has a number of approved Support Services Providers on its register. A support services provider can provide one or more of the following:

- Management and administrative services;
- Services as a registered agent, director, company secretary or similar officer; and
- A registered office, place of business or address

Holding companies

Whereas a Special Purpose Company can deal with assets as part of a wider transaction, a holding company is designed to hold assets for itself or its shareholders. A QFC holding company **(Holding Company)** must have one

or more subsidiaries, which it must control, and is licensed only to carry on the following "holding activities":

- Holding and maintaining one or more subsidiaries;
- Granting any type of security interest over its assets for its own benefit or for the benefit of any of its subsidiaries;
- Providing an indemnity, guarantee or similar support to any third party for its own benefit or for the benefit of any of its subsidiaries;
- The acquisition, holding or disposal of any interest in any asset, whether tangible or intangible, for its own benefit or for the benefit of any of its subsidiaries;
- Providing any type of loan or other form of financing to any other member of its group;
- Any activities which are ancillary to the activities set out under 1 to 5 above; and
- Any other activity approved by the QFCA that falls within the Permitted Activities, being the business activities of company headquarters, management offices and treasury operations or the business of provision, formation, operation and administration of companies of Schedule 3 to the QFC Law, or qualifies as an exemption under Schedule 3 to the Financial Services Regulations

Holding Company may take the actions above for its own benefit, not just for the benefit of its subsidiaries, and to provide loans or other financing to any member of its group of companies and not just its subsidiaries. These would appear to be activities reasonably within the contemplation of any company;

Key features

- A separate legal entity with limited liability;
- A Holding Company should have at least 1 member;
- There is no minimum share capital requirement for Holding Companies;
- It is required to file annual returns. The accounts are to be audited and laid before the annual general meeting and filed with the CRO;
- There are no restrictions on the types of activities or business carried out by the subsidiaries of a Holding Company; and
- The other operations carried out by the Holding Company's group do not have to be located in Qatar

Corporate headquarters

The establishment and operation of corporate headquarters is a Non-Regulated Permitted Activity under QFC law. International and Qatari companies alike can establish their corporate headquarters and management offices in the QFC. Headquarters are a company's home base and the focal point for planning, decision making and regulatory activities. In the QFC, registered corporate headquarters may carry out the following types of activities for a corporate group:

- Strategic planning;
- Financial planning;
- Marketing and corporate communications;
- Treasury management and operations;
- Managing human resources;
- Centralised procurement; and
- Managing global operations and providing other shared services

Management functions

Management office functions is a Non-Regulated Permitted Activity under QFC law. International and Qatari companies alike can establish their management functions in the QFC. Management functions in the QFC are permitted as a central regional platform, providing strategic management and intra-group support services, and facilitating the transfer of profits to the corporate headquarters.

Corporate treasury functions

Corporate treasury functions is a Non-Regulated Permitted Activity under QFC law and can be combined with other permitted business activities such as company headquarters, management operations and holding companies. Corporate treasury functions and support operations, including funding administration, foreign-exchange risk management, cash management and investment services can therefore be undertaken as a Non-Regulated Activity.

Structures for families and individuals

The third segment of Non-Regulated Activities cater to high-net-worth families and individuals. For the purposes of such activities, the QFC has structures available which such families and individuals can utilise in order to enable them to manage, preserve and grow assets and business interests. There are a number of specialised structures available in the QFC which can be utilised by families and individuals for this purpose, being:

- Single Family Office;
- Special Purpose Companies;
- Holding Companies; and
- Trusts

The purpose for which each of these structures may be used is discussed separately below.

Single family office

A "Single Family Office" is a body corporate established in the QFC for the sole purpose of providing services to and carrying on activities in relation to a "Single Family" in accordance with the Single Family Office Regulations No. 16 of 2012. A Single Family is a family made up of a group of individuals all of whom are the bloodline descendants of a common ancestor or their spouses (including widows and widowers, whether or not remarried) and subject to other limitations or conditions agreed with or specified by the QFCA.

A Single Family must have minimum investable or liquid assets of USD $5 million under the management of a single family. For the purpose of determining investable/liquid assets, only those assets which are realisable in a 180-day period can be considered. A Single Family Office must at all times have a registered office situated in the QFC and carry on its principal business activity at or from the registered office.

A Single Family Office may provide services to a Single Family in relation to one or more of the following activities:

- Investment and financial activities or services;
- Management of investments, money and other assets;
- Arranging or providing custodian or fiduciary services;

- Accounting;
- Acquisition, transfer, disposal or distribution of assets or property;
- Provision, formation, operation and administration of a family fiduciary structure or entity;
- Acting as directors, partners or in a similar capacity in relation to family fiduciary structure, entity or trust; and
- Other services falling within the Permitted Activities specified in Schedule 3 of the QFC Law

These services may be provided by Single Family Offices to family members, charities designated by the family, family entities (where the Single Family controls more than 75% of the voting power) or other fiduciary structures related to the Single Family. Accordingly, the Single Family Office can be used for purposes such as the pooling of assets, providing centralised professional services, management structures and governance, and are most commonly used for financial planning and investment management. A Single Family Office may be also be used to manage charitable donations and technical and operational management of trusts.

Key features

- Each Single Family Office must appoint a designated representative (who must be resident in Qatar) as the point of contact for the QFCA and Single Family Office and to carry out certain registered functions and ensure compliance with the Single Family Office Regulations.
- The designated representative must file an annual report with the QFCA.
- A Single Family Office must have policies and procedures in place regarding anti-money laundering and combating the financing of terrorism.

Foundations and investment clubs

Foundations are established under QFC Foundation Regulations and have the capacity rights and privileges of a natural person. The Foundation structure is extremely flexible and can be used for succession planning, asset protection and even employee share plans. The constitution of a Foundation needs to be provided to the QFCA but remains a confidential document. Foundations may not be established for charitable purposes and are managed by a "Council". The Foundation must also employ an "Enforcer" who will ensure that the Council of the Foundation carries out its functions and acts in the best interests of the Foundation.

Investment Clubs are companies limited by shares, incorporated under the QFC Investment Clubs Regulations. As long as the objects of an Investment Club are not carried on in a manner so as to constitute a business, it will not requiring authorisation from the QFCRA. The QFC Investment Clubs Regulations envisage the activities of an Investment Club to involve the pooling of funds by up to 15 members and investing in a portfolio of assets and securities. In certain circumstances, a member can exit by selling his shares back to the Investment Club.

Special purpose companies and holding companies

The Special Purpose Company and the Holding Company which have been described earlier in this chapter can also be used for as a solution for families and individuals.

Trusts in the QFC

The QFC provides for trust structures not ordinarily available in civil law jurisdictions. Trusts can operate a business or hold and manage assets in the same manner that a person or a legal entity can do so with beneficial interests distinct from legal interests. Trusts can be used for a number of purposes and are commonly used in inheritance and for family asset planning reasons, and can also support charitable initiatives. Beneficiaries will have rights or interests in assets that are owned by another person. A beneficiary can be either a person or an entity. Trustees are individuals or entities that administer a trust according to the trust's objectives or the beneficiary's interests.

Formation of trusts

The QFC Trust Regulations set out in detail the requirements for the creation of a trust including qualifications for trustees. They also set out duties and powers of a trustee and the rights and interests of beneficiaries of trusts. A trust in the QFC can be created by deed or declaration. The document for creating the trust must be registered with the QFCA. Apart from registration requirements and trustees holding qualifications acceptable to the QFCA, a trust shall be invalid to the extent: (1) it purports to do anything which is contrary to the QFC Law; (2) it is created for a purpose in relation to which there is no beneficiary; (3) it is induced by fraud, duress undue influence or misrepresentation; (4) it is immoral or contrary to public policy; or (5) the terms of the trust are so uncertain that its performance is rendered impossible.

Types of trusts

- **Express Trust:** A trust where the settlor's intent is demonstrated in writing by the appointed trustee.
- **Charitable Trust:** A trust created for a specific charitable cause.
- **Non-Charitable Trust (Purpose Trust):** This type of trust is set up to hold or invest in shares of companies.
- **Protective Trust:** This arrangement protects the assets of the trust in order to ensure the designated beneficiary receives continued support.
- **Discretionary Trust:** Arrangements whereby the settlor can partially or totally delegate decision-making discretion to the trustee on how to manage and invest the trust's estate as well as how the benefits are distributed

Setting up entities to conduct non-regulated activities

QFCA rules

For the purpose of setting up in the QFC, regulated and non-regulated firms follow different procedures. Non-regulated entities do not fall under what is classified as the "financial" or "regulated" categories and therefore fall outside the scope of the QFCRA rules and regulations. Accordingly, the permitted Non-Regulated Activities are governed by the QFCA rules and regulations.

The QFCA Rules apply to "Licensed Firms", defined as "a person licensed by the QFCA to engage in non-regulated activities in or from the QFC, and that is not an Authorised Firm". An Authorised Firm is a person authorised by the QFCRA to engage in regulated activities.

In order to become and remain a Licensed Firm, an applicant needs to ensure it is fit and proper to do so and complies with the QFCA Rules and any other QFC regulations and rules that may apply to the particular type of Non-Regulated Activities undertaken. A Licensed Firm is required to conduct itself at all times in a manner that reflects and promotes what is deemed to be "the spirit, purpose and objectives of the QFCA general principles" and does not harm or prevent the QFC from achieving its objectives.

The QFCA Rules set out detailed requirements in respect of licensing, reporting, record-keeping, accounting and auditing, fitness and propriety, competence, training and supervision, conduct, asset rules, compliance and enforcement amongst others.

Non-Regulated Activities require: (1) incorporation or registration by the CRO; and (2) licensing by the QFCA. In order to incorporate or register with the CRO, a suitable form of legal structure or legal entity must be selected. Non-Regulated Permitted Activities can only be carried on in, or from the QFC, by an entity that is in a form approved by the QFCA and incorporated by the CRO, or alternatively, by a branch of a non-QFC legal entity registered with the CRO.

Forms of legal entities

The forms of legal entities available for the purpose of carrying out Non-Regulated Activities are provided under the Companies Regulations No. 2 of 2005, the Limited Liability Partnership Regulations of No. 7 of 2005 and the Partnership Regulations No. 13 of 2007, and are as follows:

1. **Limited Liability Company:** Any one or more persons may apply for the incorporation of a limited liability company (LLC) for the purpose of carrying on a business of the kind permitted by the QFC Law.

Key features

- A separate legal entity with limited liability;
- There shall be a minimum number of one member, which can be of any nationality;
- There is no minimum share capital for an LLC conducting Non-Regulated Permitted Activities and the share capital may be in any denominated currency;
- An LLC shall at all times have a registered office situated in the QFC buildings or in an office approved by the QFC, and shall carry out its business from such registered office; and
- The accounts are to be audited and approved at the annual general meeting and filed with the CRO, although they are not made available for public inspection.

2. **Limited Liability Partnership:** Two or more persons may apply for the incorporation of a limited liability partnership (LLP) for the purpose of carrying on a business of a kind permitted by the QFC Law.

Key features

- A separate legal entity, governed by a limited liability partnership agreement;
- Liability limited to the agreed amount;

- Partners have to enter into a limited liability partnership agreement;
- There shall be a minimum of two or more members, which can be of any nationality;
- There is no minimum share capital for LLPs conducting Non-Regulated Permitted Activities;
- Each member of an LLP shall be liable to contribute to its assets in the event of its being wound up, to the extent he has agreed to make such a contribution;
- An LLP shall at all times have a registered office situated in the QFC buildings or in an office approved by the QFC, and shall carry out its business from such registered office; and
- Annual returns are required to be filed. Accounts are to be audited and filed with the CRO.

3. **General Partnership:** Two or more persons may establish a general partnership, which is a partnership but not a limited partnership, in the QFC under the Partnership Regulations.

Key features

- Not a separate legal entity; it is a partnership between two or more persons carrying on business together;
- Each of the partners in a general partnership has unlimited liability and is personally liable jointly and severally with other partners for the partnership's debts and liabilities;
- A general partnership may, at its option, register with the CRO;
- Partners are required to enter into a partnership agreement;
- No partner may be required to contribute capital to the partnership;
- An address for service of each partner must be disclosed; and
- Proper accounts and accounting records must be kept and available.

4. **Limited Partnership:** A limited partnership is a partnership comprising at least one general partner and at least one limited partner and may be established in the QFC under the Partnership Regulations.

Key features

- Not a separate legal entity; it is a partnership comprising at least one general partner and at least one limited partner;
- A general partner has unlimited liability and a limited partner has limited liability provided it does not take part in the management of the partnership business and affairs;
- Partners will sign and file with CRO an incorporation document and a limited partnership agreement;
- No partner may be required to contribute capital to the partnership;
- A limited partnership shall at all times have a registered office in the QFC buildings or place approved by the QFC; and
- Annual returns are required to be filed and accounts are to be audited and filed with the CRO.

5. **Branch of a non-QFC company or non-QFC limited liability partnership:** A non-QFC company or non-QFC limited liability partnership can register as a branch with the CRO in accordance with the relevant regulations in order to establish a legal presence within the QFC. The non-QFC company or non-QFC limited liability partnership will be the applicant and principally liable for the compliance or non-compliance on the part of its registered branch.

Key features

- A branch has to appoint and retain a principal representative in the QFC who is authorised to accept service of documents or notices and undertake any function permitted by the Companies Regulations;
- It shall have a principal place of business in a QFC approved location;
- It is required to file with the CRO notices of any changes to the principal representative, place of business, constitutional documents of the non-QFC company and directors of the non-QFC company; and
- Every branch shall keep proper accounting records available for inspection by directors and auditors of the non-QFC company.

Application process

In order to obtain a licence from the QFCA to carry on Non-Regulated Activities, there are two key formal stages with which any applicant must comply in order to establish in the QFC, being: (1) the strategic fit assessment; and (2) the licensing and CRO incorporation or registration. The QFCA is the governing body which handles these two key stages.

1. The application process: Strategic Fit

At the first stage of the application process (strategic fit assessment), the QFCA must consider (upon submission by the applicant of an application) whether the proposal has a "strategic fit". To enable this, the applicant shall submit an application together with a business plan in which the proposed company, services, business model and management team are described. By way of example, the business plan should cover the following key areas:

- Credentials and experience;
- Proposed services;
- Market analysis;
- Strategy;
- Risk and risk mitigation;
- Rationale for setting up in the QFC; and
- Three-year financial plan

Guidelines and a template for the business plan are provided by the QFCA Business Development team, which will advise applicants on the process and provide assistance and feedback as the application is drafted. It is always advisable to commence dialogue with the Business Development team at as early a stage as possible to learn about the QFCA's requirements and avoid any pitfalls. Most applicants would not submit a business plan at the first interaction but use the opportunity to discuss their plans and needs and seek advice for the process and beyond. Once the final draft is submitted, the business plan will be assessed by the QFCA's Strategic Fit Committee.

For passive entities, such as Special Purpose Companies and Holding Companies, a shorter business description is usually sufficient and such description should cover the purpose of the proposed entity, its owners, the structure to which it will belong and/or the transactions for which it will be used.

Once the final business plan is submitted, the QFCA's Strategic Fit Committee will assess the applicant's business plan or case and how it aligns with the QFC's vision and strategic objectives. The Strategic Fit Committee of the QFCA makes an evaluation of the "strategic fit" based upon four categories of criteria. There is no definitive list of qualifying criteria that must be met, but rather the application (together with its business case) is assessed and evaluated by the Strategic Fit Committee as a whole. Part of this evaluation will look at the extent to which the business "adds value to the State of Qatar". This assessment can take up to two weeks.

It is also worth noting that there are no QFC fees applicable for the strategic fit application.

Once approved as having a strategic fit, applicants can, and are encouraged to proceed with the second stage, the licence application process.

2. The application process: Licensing and CRO Incorporation or registration

What is licensing?

The second stage simply involves the licensing by the QFCA and incorporation or registration by the CRO. In order to become a QFC-licensed firm, the entity chosen as the vehicle to conduct the Non-Regulated Activities must be incorporated or registered by the CRO and the Non-Regulated Activities must be licensed by the QFCA.

How is the licensing process started?

After being approved on its strategic fit, the applicant can then complete Form Q01, "*Application for a licence to conduct non-regulated activities*".

The general information section (Part 1) must be completed by all applicants. The applicant shall indicate for which activity it wishes to be licensed. Appendix A to Part 1 also contains a fitness and propriety questionnaire to be completed by individuals that will be carrying out the Senior Executive, Money Laundering Reporting Officer and Designated Representative functions, as well as all of the applicant's individual controllers. Part 2 contains sections requiring more detailed information. The completion of these sections will depend on the permitted activities applied for by the applicant as to whether they are "required", "conditional" or "not required". The sections include:

- Financial information;
- Conduct of business;
- Recruitment and training;
- Anti-money laundering;
- Professional memberships and competences;
- Professional Indemnity Insurances **(PII)**;
- Ownership;
- Client money; and
- Business continuity and IT systems

At the same time, the applicant should also complete a Companies' Registration Office Form **(CRO Form)** in order to be incorporated as an approved legal entity or registered as a branch. To obtain authorisation for conducting Non-Regulated Activities, an applicant must also complete the relevant CRO Form (CRO Form 1, 2, 3 or 4, depending on whether the applicant intends to incorporate an LLC or limited liability partnership LLP, or register a branch of an LLC or LLP. Single Family Offices, Holding Companies and Special Purpose Companies must be incorporated as LLCs.

Application submission, fees and processing

The CRO Form is to be submitted along with the Form Q01 directly to the QFCA, who will act as the single point of contact.

Once the QFCA receives an application, it will invoice the applicant for the fee. Application fees for [Non Regulated?] Activities are USD $5,000. Annual fees are activity-dependent but vary between USD $500 and USD $5,000. The initial fee shall be pro-rata with the remaining number of months in the year.

The completed formal application Form Q01, the relevant CRO form and supporting documents should be submitted to the QFCA in both hard and soft copy. The QFCA will review the information provided and make an assessment of the suitability of the applicant to be granted a licence (and associated registration, if sought). The application process is interactive and may involve correspondences, meetings and reports from third parties.

The applicant can set up in one of over 40 of the QFC's designated premises. All QFC- licensed firms are required to have a registered office located in QFC designated premises. If the applicant is considering premises that are not designated, it will need to contact the QFCA to discuss the possibility of applying for the premises to be designated.

What help will be given?

An applicant can seek guidance from the QFCA throughout the set-up process.

Summary

Summary of non-regulated QFC activities – Application and set up process
Submit a business case to the QFwCA business development team for the strategic fit assessment and approval;
Submit form Q01 to apply for a licence;
At the same time as submission of the Q01, submit a relevant CRO form, based on the appropriate legal form adopted;
Nominate fit and proper individuals to act as the Senior Executive, Designated Representative and Money Laundering Reporting Officer;
Operate via QFC-designated premises;
Pay the application fee of USD $500; and
Pay the annual fee of USD $500 to $5000 for the first year (prorated according to the remaining number of months in the year), and full fees for subsequent years.

Compliance with QFC requirements

A licensed firm should adopt a policy of establishing a compliance function in order to maintain compliance with the applicable rules and regulations. The major compliance areas are as follows:

- **General conduct:** The licensed firm shall ensure it remains "fit and proper" and complies with any applicable regulations and rules and conducts itself at all times in a manner that reflects and promotes the spirit, purpose and objectives of the QFC and does not harm or hinder the QFCA in achieving its objectives, strategies and priorities.
- **Disclosure of licensed status:** A licensed firm must take reasonable care to ensure that its status as a firm licensed by the QFCA is disclosed in all business documents in connection with the carrying on of Non-Regulated Activities.

- **Reporting:** Generally a licensed firm will have to provide annual financial statements and auditors annual reports within four months of the end of its financial year. Licensed firms that hold client money shall provide an annual client money auditors report within four months of the end of its financial year.
- **Record-keeping:** A licensed firm must maintain appropriate records of matters and dealings, including accounting records, policies and procedures and other documentation such that they are able to be reproduced within three business days. Records and documents must be maintained by the licensed firm for at least six years.
- **Control:** A licensed firm must provide information on holders of controlling interests. in the form and manner required by the QFCA and establish and maintain systems and controls to keep advised and monitor changes in control
- **Accounting and auditing:** A licensed firm must maintain the accounting records, financial accounts and statements and auditors reports required under the Companies Regulations, the Limited Liability Partnership Regulations, the QFCA Rules and any other applicable regulations.
- **Registered functions:** A licensed firm must have one individual to carry on the following registered functions: a Senior Executive function; if applicable, the Money Laundering Reporting Officer and the Designated Representative function and provide details of the same to the QFCA.
- **Fitness and propriety:** A licensed Firm must make reasonable enquiries as to an individual's fitness and propriety to carry out a registered function, taking into account the individual's honesty, integrity and reputation, competence and capability and financial soundness.
- **Competence, training and supervision:** A licensed firm must implement appropriate procedures to ensure an individual assessed as competent to carry out a registered function remains competent.
- **Professional services:** The provision of legal f, accountancy services, tax services, ship broking and agency services, credit rating services and classification services are subject to special compliance rules and exclusions.

Chapter Five

Regulated Activities

Regulated Activities

Governance Structure

Role of the QFCRA

The QFCRA regulates entities operating in or from the QFC that conduct Regulated Activities (as defined in Chapter Three). Non-regulated firms that fall within the definition of designated non-financial businesses or professions are also regulated by the QFCRA for the purposes of compliance with anti-money laundering regulations. Matters relating to banks, insurers, financial institutions, asset managers, securities firms, brokers or other entities operating in Qatar, but not from or within the QFC, are subject to the laws and regulations of the State of Qatar, as are criminal matters, except in relation to the State's anti-money laundering legislation. The QFCRA has a broad range of regulatory powers to authorise, supervise and, when necessary, discipline firms and individuals.

The QFCRA's objectives include the promotion and maintenance of efficiency, transparency, integrity and confidence in the QFC, as well as the maintenance of financial stability and reduction of systemic risk. It also strives to develop financial awareness and protection for customers and investors.

Supervision and authorisation

In line with international best practice, the QFCRA is committed to pursuing a risk-based approach to supervision that involves monitoring of financial information and regular on-site and off-site risk assessments. The QFCRA continues to be guided in its work by the various international supervisory standards such as those set out by the Basel Committee on Banking Supervision (Basel Committee) and the International Association of Insurance Supervisors (IAIS).

Risk-based approach to regulation

The QFCRA adopts a risk-based approach to regulation and focuses on those areas which present the greatest risk to its regulatory objectives. Accordingly, the QFCRA:

- Maintains close relationships with Authorised Firms (which are firms authorised by the QFCRA to engage in Regulated Activities), including directors and senior management who bear the primary responsibility for meeting the prudential and compliance responsibilities of the firms concerned;
- Engages with other regulators to ensure that international efforts at supervision and regulation are coordinated and coherent, aiming to avoid undue duplication;
- Focuses on monitoring enhancements to the international supervisory standards laid down by the Basel Committee, the IAIS; and the International Organisation of Securities Commissions;
- Engages in periodic risk assessments of firms using methodology drawn from its extensive international supervisory experience; and
- Initiates a number of thematic reviews covering areas such as anti-money laundering, risk management and governance, in addition to the ongoing supervisory coverage of individual firms.

Macro-prudential supervision

The QFCRA has developed and applied an effective framework for macro-prudential supervision which supplements the traditional, firm-by-firm approach to supervision with a routine use of horizontal, or cross-firm, reviews to monitor industry practices across the banking, insurance and asset management sectors. This framework is also used to identify common funding strategies, balance sheet developments,

interconnectedness and other factors with implications for systemic risk. Macro-Prudential Supervision encompasses a set of proactive measures and tools, aimed at identifying, assessing and monitoring risks to the financial system. These measures include the analysis of macro-economic and financial market information, and of how these data are connected. Macro-Prudential Supervision operates alongside micro-prudential (or entity-level) supervision, in assisting supervisors in their efforts to prevent or mitigate the detrimental effects of the key risks identified on a continuous basis.

Macro-prudential analysis takes account of those risks (e.g. systemic risks) that may affect all, some, or most firms in the system and not just individual firms. When looking at the health of the underlying financial institutions in the system, macro-prudential analysis uses indicators that provide data on the health of these institutions as a whole, including capital adequacy, asset quality, credit exposures, management performance, profitability, liquidity and sensitivity to systematic risks. Macroeconomic and market data are also reviewed to determine the health of the current system. The analysis also focuses on qualitative data related to financial institutions' frameworks and the regulatory environment, to obtain an additional sense of the strength and vulnerabilities in the system.

QFCRA Board governance

The Governance Resolution of the Board of the QFCRA sets out the policy of the Board on various governance matters, reflecting the intention that the business of the QFCRA be conducted in accordance with its regulatory objectives, applicable laws and principles of sound governance.

The role of the Board is to lead the QFCRA in line with the QFC Law and other applicable legislation. The Board sets the strategic direction for the QFCRA, oversees the executive management's discharge of the day-to-day business of the QFCRA, sets policies to manage risks to the QFCRA's operations and the achievement of its regulatory objectives, and seeks regular assurance that the system of internal controls is effective in managing risks.

The Board is tasked with promoting and operating the QFCRA, aiming to ensure that it is run at all times in accordance with best international standards. The Board is supported in this endeavour by the executive team, which comprise the Chief Executive Officer, the Managing Director of Policy and Enforcement, the Managing Director of Supervision and Authorisation and the Managing Director of Corporate Services.

Types of financial services that can be provided by a QFC entity

Authorised firms and regulated activities

The following activities are deemed to fall within the ambit of the Financial Services Regulations (FSR) and hence are regulated activities requiring authorisation by the QFCRA:

- Accepting deposits;
- Providing credit (except to retail clients);
- Dealing in investments;
- Arranging deals in investments;
- Arranging credit facilities;
- Advising on investments;
- Operating a collective investment fund;
- Providing custody services;
- Arranging the provision of custody services;
- Effecting contracts of insurance;
- Carrying out contracts of insurance; and
- Managing investments

The QFCRA is an activities-based regulator, meaning a firm may conduct only the particular Regulated Activities for which it has been granted authorisation. These Regulated Activities are set out in the Authorised Firm's scope of authorisation, which may be viewed on the public register available at the QFCRA's website, www.qfcra.com.

Banking services

The QFCRA has developed a prudential framework for banking business firms in the QFC. The Banking Business Prudential Rules 2014 **(BANK)** reflect the standards articulated in the International Regulatory Framework for Banks **(Basel III)**, the Basel Accords and the Basel Core Principles for Effective Banking Supervision issued by the Basel Committee.

Banking business conducted in or from the QFC comprises the activities of deposit taking, providing credit facilities, dealing in investments as principal and Islamic financial management. An Authorised Firm whose

scope of authorisation permits it to conduct any of these activities is a banking business firm, and may be a deposit-taker, investment dealer or Islamic financial manager.

A banking business firm must be formed either as a limited liability company or as a branch of a foreign financial institution. The QFC policy with regard to branches is available from the QFCRA's website at www.qfcra.com.

Insurance

Insurance business in the QFC

The conduct of insurance and re-insurance business in the QFC is an activity that may only be carried on by a person authorised by the QFCRA. The activities of an insurance company in effecting a contract of insurance, carrying out a contract of insurance, arranging a contract of insurance and/or advising clients on contracts of insurance are Regulated Activities under QFC law and therefore requires authorisation from the QFCRA.

Specified activities and insurance business

The principal components of the regulatory framework relating to insurance business in the QFC are the FSR, the QFCRA's Insurance Business Rules 2006 **(Insurance Rules)**, Captive Insurance Business Rules 2011 **(Captive Insurance Rules)**, Insurance Mediation Business Rules 2011 **(Insurance Mediation Rules)** and the Conduct of Business Rules 2007 **(COND)**.

The full descriptions of the activities that may be carried on by an Authorised Firm are listed in Part 2 of Schedule 3 to the FSR. These activities are referred to in the FSR as "Specified Activities".

In the context of insurance business, the relevant Specified Activities are:

- Effecting a contract of insurance as principal (i.e. the process of entering into a contract or binding a contract);
- Carrying out a contract of insurance as principal (i.e. the administration of the contract, that is, collecting premiums, paying claims, etc);
- Arranging for another person to buy, sell, subscribe to or underwrite a contract of insurance; and
- Advising another person on the merits of buying, selling, subscribing to or underwriting a contract of insurance.

Specified Products

The FSR also provides at Part 3 of Schedule 3 to the FSR the range of products which an Authorised Firm may provide, which are referred to in the FSR as "Specified Products".

In the context of insurance business, the relevant Specified Products are contracts of insurance or reinsurance that are either general insurance contracts or long term insurance contracts (or reinsurance). Full particulars of the applicable range of insurance and reinsurance contracts are listed in paragraph 10 of Part 3 of Schedule 3 to the FSR.

Detailed provisions relating to the prudential requirements for the conduct of insurance business are set out in the QFCRA's Insurance Rules.

In general terms, this means that an insurance company authorised by the QFCRA may be able to carry on the following types of insurance business in the QFC:

- Insurance (wholesale and retail);
- Reinsurance;
- Captive insurance;
- Islamic insurance (Takaful);
- Protected cell company; and
- Insurance management

Protected cell companies

A protected cell company **(PCC)** is a legal entity that is separated into legally distinct portions or cells and can be established under the QFC Companies Regulations 2005. The captives regime is designed to allow a PCC to be established to conduct captive insurance business. A PCC would normally be a class 4 captive because it insures the risks of unrelated third parties. Typically, the QFCRA will assess each PCC application on a case-by-case basis.

An individual cell cannot simultaneously conduct general and life insurance business, and a PCC must obtain the consent of the QFCRA before it establishes each cell.

A PCC must hold minimum non-cellular capital of at least QAR 180,000. The non-cellular eligible capital required by the QFCRA will increase if the cells have recourse to the PCC's non-cellular assets. An individual cell's minimum capital requirement is the higher of the premium risk component or the technical provision risk component (i.e. only the risk-based capital requirements).

Captive Insurance Business

The captives regime is set out in the Captive Insurance Rules and the captive managers regime is set out in the Insurance Mediation Rules.

A captive is an insurance company that is formed to insure or reinsure the risks of its parent or affiliates of the parent. The captive is primarily used as a risk management vehicle by the parent, either to cover risks that cannot be insured in the market or to manage the parent's insurable risks in a more cost-effective manner. The QFCRA's rules define four categories of captive insurance companies:

- Class 1 Captives may only carry out contracts of insurance in respect of risks related to the operations of its owner and affiliates;
- Class 2 Captives primarily carry out contracts of insurance primarily for their owners and affiliates but can underwrite up to 20% of gross written premiums from third party risks;
- Class 3 Captives may only carry out contracts of insurance in respect of risks related to or arising out of the business of persons who engage in similar activities (e.g. associated captives); and
- Class 4 Captives are those which do not meet the requirements of Class 1, Class 2 or Class 3. A Class 4 captive is assessed based on factors such as interests of shareholders, expert knowledge of shareholders, the business rationale for making the entity a captive insurer and the use or non-use of the entity as a risk management tool.

The base capital requirements for captive insurance within the QFC vary between QAR 540,000 and QAR 3.6 million.

Takaful

Insurers which carry on Takaful business are subject to the specific additional requirements set out in Chapter 6 of Insurance Business Rules relating to Takaful entities.

Takaful business relates to insurance business that is carried out using Shari'a compliant structures. Takaful entities are also subject to the requirements set out in the Islamic Finance Rulebook (ISFI) and Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI) Financial Accounting Standard (FAS) 11, 12, 13 and 18 in relation to the conduct of Takaful business whether as Islamic Financial Institutions or by their operation of an Islamic Window (as defined below).

An "Islamic Financial Institution" is an Authorised Firm whose entire business operations are conducted in accordance with Shari'a.

An "Islamic Window" refers to the means by which an Authorised Firm which conducts Islamic financial business as a discrete part of its business operations.

An Authorised Firm intending to conduct Takaful business through an Islamic Window should apply to the QFCRA.

Islamic Finance

An Islamic financial institution in the QFC is an Authorised Firm that conducts all of its business in accordance with Shari'a. The base capital requirements for Islamic financial institutions operating a profit sharing investment scheme in the QFC is QAR 35 million, though ongoing requirements depend on the nature and scale of a firm's business, the consequent variable risks faced by the firm, and expenses protections.

Prohibition on Islamic business through an Islamic window

A QFC bank which offers conventional banking products and services is prohibited from conducting regulated Islamic finance business. In other words, neither a conventional bank in the QFC nor a firm subject to the Investment Management and Advisory Rules (INMA) is allowed to operate an Islamic window. However, a QFC insurer may effect and carry out conventional insurance contracts, as well as Takaful business through an Islamic Window.

Requirement to have Shari'a supervisory board

An Islamic financial institution must establish and maintain policies, procedures, systems and controls to ensure that its business is conducted in accordance with Shari'a principles. Moreover, an Islamic financial institution

must appoint a Shari'a supervisory board and ensure that its members are competent to perform their duties and functions as supervisory board members by taking into account their qualifications and experience to hold such appointment. No member of the Shari'a supervisory board can be a director or a controller of the Islamic financial institution.

Documentation must be kept and maintained by the Islamic financial institution in respect of its policy on the methodology of appointments, dismissals or changes to be made to its Shari'a supervisory board, including the process through which the suitability of the Shari'a supervisory board members will be considered and the remuneration of the members.

Reasonable steps must be taken by the Islamic financial institution to ensure that each Shari'a supervisory board member is independent of and not subject to any conflict of interest in connection with their post on the Shari'a supervisory board.

Disclosure

An Islamic financial institution must disclose to its clients that it is an Islamic financial institution and that its business must be conducted in accordance with Shari'a, subject to the opinions of the members of its Shari'a supervisory board. Such disclosure must be made prior to the conducting of Islamic financial business with a client and updated whenever such information changes.

Record-keeping

Records of assessment of competence of Shari'a supervisory board members and agreed terms of engagement of each member of the Shari'a supervisory board must be retained by the Islamic financial institution for at least six years following the date of cessation of each Shari'a supervisory board member's engagement.

Profit-sharing investment accounts

Where an Islamic financial institution provides a profit-sharing investment account, it must adhere to certain responsibilities in relation to policies, warnings, provisions, reserves, terms of business, and financial and other periodic statements. The scope of these obligations depends on whether the firm is offering a restricted or unrestricted profit-sharing investment account and include, for example, a requirement to warn the investment

account holder of a restricted profit-sharing investment account that it bears the risk of loss to the extent and that it would not be able to recover that loss from the firm, except in case of negligence, misconduct or breach of contract on the part of the firm.

The firm should ensure that its terms of engagement with the investment account holder includes the following:

- How and by whom the funds of the investment account holder will be managed and invested;
- The profit-sharing investment account's investment objectives and details of its policy on diversification;
- The basis for allocating profits and losses between the owner and the investment account holder;
- A summary of the policies for valuing the profit-sharing investment account's assets;
- A summary of the policies for transferring funds to and from any profit equalisation reserve or investment risk reserve;
- Particulars of the management of the profit-sharing investment account;
- Particulars of the management of any other person to whom the owner has outsourced, or will outsource, the management of the profit-sharing investment account, including:
  - The person's name;
  - The person's regulatory status; and
  - Details of the arrangement;
- Details of any arrangement for early withdrawal, redemption or other exit and any costs to an investment account holder as a result;
- Confirmation of the investment account holder's investment objectives;
- How the investment account holder's investment will be segregated from the manager's funds and from any claims by the firm's creditors;
- Whether funds from the profit-sharing investment account will be mixed with the funds of another profit-sharing investment account;
- Any applicable charges and the basis on which such charges will be calculated; and
- Any fees that the firm can deduct from the profits of the profit-sharing investment account.

Collective Investment Schemes

Applicable rules

The QFCRA has issued the following rules that relate to collective investment schemes:

- Collective Investment Scheme Rules 2010 **(COLL)**; and
- Private Placement Scheme Rules 2010 **(PRIV)**.

The QFC divides investment funds into two categories:

- Collective investment schemes that are established in the QFC and registered under the COLL or PRIV (QFC schemes); and
- Collective investment schemes that are established outside the QFC, including schemes established under the regulations established by the Qatar Central Bank (non-QFC schemes).

What Are Collective Investment Schemes?

The COLL defines a collective investment scheme as an arrangement that is a collective investment fund having the following attributes:

- The purpose of the arrangement is to enable participants to participate and receive income arising from the acquisition, holding, management or disposal of property or sums paid out of such income;
- The arrangement is made with respect to property of any description, including money, whether the participants become owners of the property or part of the property;
- The participants do not have day-to-day control over the management of the property, whether or not they have the right to be consulted or give directions in respect of the property;
- The contributions of the participants and the profits or income from the scheme are pooled; and
- The property is managed as a whole by or on behalf of the operator of the scheme.

The QFCRA may from time to time issue rules specifying the circumstances in which a particular arrangement does not constitute a collective investment scheme.

Types Of Collective Investment Schemes

QFC Schemes (Domestic Funds)

A QFC scheme is a collective investment scheme that is established in the QFC and under the COLL or PRIV. Schemes registered under the COLL can be a qualified investor scheme or retail investor scheme. Schemes registered under the PRIV are private placement schemes designed for more sophisticated investors. They cannot be offered to the public and should not have more than 100 unit holders.

The COLL sets out a range of scheme structures and fund types including:

- Umbrella schemes and sub-schemes;
- Shari'a compliant schemes;
- Property funds;
- Money market funds; and
- Feeder fund of funds.

Non-QFC Schemes (Foreign Funds)

A non-QFC scheme is a collective investment scheme that is not established in the QFC.

Only an Authorised Firm with the requisite licenses from the QFCRA may seek authorisation from the QFCRA to operate non-QFC schemes, although this is at the discretion of the QFCRA. Operators are subject to the requirements of the jurisdiction in which they are seeking to establish and manage the non-QFC fund. Non-QFC schemes largely fall outside the scope of the COLL and PRIV.

The QFCRA takes the same approach in considering applications from Authorised Firms to operate non-QFC schemes as it does in consideration of Authorised Firms to operate QFC registered schemes. This approach is tailored to provide for two different scenarios:

- Operating a regulated non-QFC scheme, whether a retail scheme or qualified investor scheme **(QIS)**; and
- Operating an exempt or unregulated non-QFC scheme, e.g. a hedge fund.

The requirements and criteria placed on an Authorised Firm under the authorisation process reflect the specific risks and regulatory treatment of these two different categories of schemes. The most rigorous process is applied to the category of regulated scheme (whether retail schemes or QIS).

In considering applications to operate non-QFC schemes, the QFCRA evaluates the following matters:

- Details about the scheme (regulated, retail or QIS, or exempt or unregulated);
- An assessment (which may include legal advice) confirming that the proposed activities relate to a retail scheme or QIS domiciled in a jurisdiction that provides an equivalent level of protection to the unit holders to that provided by the QFC regime;
- Where the proposed activity relates to an exempt or unregulated scheme, sufficient information regarding the jurisdiction where the scheme is (or is to be) domiciled to enable the QFCRA to judge the robustness of the jurisdiction;
- Confirmation that the firm is (or will be before commencing these activities) authorised or otherwise legally able to conduct these activities in the jurisdiction;
- The scheme is (or will be before the firm commences these activities) authorised or registered or otherwise approved as required in the jurisdiction; and
- The prospectus has been approved, if this is required, by the relevant overseas regulator. An application to operate a non-QFC scheme does not include approval or vetting of the prospectus by the QFCRA.

Operators in the QFC are also required to hold minimum levels of capital as determined under the Banking Business Prudential Rules 2014. A range of other requirements that generally apply to all firms authorised in the QFC are also applicable, such as those relating to anti-money laundering obligations, systems and controls and key personnel.

Legal Structures For QFC Schemes

Collective investment schemes can be established in the QFC using one of the following legal forms:

- Collective investment companies **(CIC)**: a company incorporated under the Companies Regulations 2005 if its articles of association provide that the company is established for the sole purpose of constituting a scheme;
- Collective investment partnerships **(CIP)**: a limited partnership registered under the Partnership Regulations 2007 if its partnership agreement provides that the partnership is established for the sole purpose of constituting a scheme; or
- Collective investment trusts **(CIT)**: an express trust created under the Trust Regulations 2007 if its trust instrument provides that the trust is established for the sole purpose of constituting a scheme.

The QFCRA may also permit other legal forms for schemes provided that the entity is established for the sole purpose of constituting a scheme.

Each legal form has qualities that make it particularly suitable for different types of schemes.

The only restriction in the QFC on the type of legal form that can be used is in relation to retail schemes established in the QFC, which must take either the form of a CIC or CIT.

Investor Types

A qualified investor or accredited investor is defined as someone who is financially sophisticated with a reduced need for protection. Qualified investors usually have an annual income in excess of USD $ 200,000 and a net worth of USD $1 million.

A retail customer for a QFC scheme is a person who is not who a business customer (i.e. has a net worth of USD $5 million) or a market counterparty in respect of an Authorised Firm.

A private investment scheme is a collective investment scheme established in the QFC and registered under the PRIV as a private placement scheme and where the number of unitholders does not at any time exceed 100.

Private placement schemes are a significant addition to the existing QFC funds regime that enable the formation and operation of private placement schemes, such as private equity funds. Private placements are defined as the sale of securities to selected investors as a way of raising capital. The investors are usually large banks, mutual funds, insurance companies and pension funds.

Each type of QFC scheme – retail, qualified investor and private placement – is subject to different regulatory requirements that reflect the nature and risk profiles of the scheme and the types of investors the scheme is seeking to attract. The requirements that are specific to operating schemes in the QFC are contained in the COLL and PRIV, which address areas such as:

- Constitutional documents and prospectuses;
- Investor relations;
- Investments and borrowing;
- Dealing;
- Valuation and pricing;
- Functions and responsibilities of the operator and independent entity; and
- Accounting and reporting obligations.

In order to provide retail customers in Qatar with an internationally recognised and respected framework for retail schemes, the QFC retail regime is modelled on the European Union Directive for the Undertakings for the Collective Investment Schemes in Transferable Securities. It provides retail customers with a wide range of investment options that appropriately balance returns against risk while ensuring the investment remains liquid.

Qualified investor schemes still provide the investor with a reasonable degree of protection in terms of disclosure obligations, investment and leveraging options, and governance arrangements. However, in recognition of the fact that these schemes are designed for those investors able to assess as well as bear greater degrees of risk, the requirements are more flexible and principles based.

Fund management from the QFC

Operating a QFC scheme

QFC schemes, including private placement schemes, may only be established and managed by a firm authorised in the QFC to operate a collective investment scheme. Before an application for registration of a QFC scheme can be considered, the QFCRA must be satisfied with the operator of the proposed scheme. The QFCRA considers the operator to be the mind and management behind the establishment of the scheme,

the entity that determines the legal form, investment policy and locations where the scheme will be sold. The operator will also, as applicable, select and appoint the administrator, the independent entity, investment manager and distributor of the scheme.

All schemes registered under the COLL must appoint a firm (the independent entity) which is licensed to provide custodial services. The independent entity is responsible for providing custody of the scheme's property, as well as overseeing the operator to ensure it is managing the scheme in accordance with requirements of the COLL, the scheme's constitutional document and the latest filed prospectus.

Schemes registered under the PRIV do not require the appointment of an independent entity but are required to safeguard the scheme's property and to provide an appropriate level of protection for participants. The QFCRA expects that in most cases this is satisfied by the scheme property being held by an independent custodian. Unlike the independent entity for schemes that are not private placement schemes, the independent custodian does not perform oversight functions over the operator's activities.

Under the COLL, both the operator and the independent entity may outsource their regulatory functions subject to the outsourcing arrangements being governed by an appropriate outsourcing agreement.

Principles for authorised firms

In addition to the rules and regulations set out by the QFC Law and QFC regulations and rules, Authorised Firms are expected to adhere to common principles relating to the conduct, operation and financial standing of Authorised Firms. This is a set of 13 principles set out in the General Rules 2005 **(GENE)** which provide that an Authorised Firm must:

- Observe high standards of integrity in the conduct of its business;
- Act with due skill, care and diligence in the conduct of its business;
- Ensure that its affairs are managed effectively by its senior management;
- Have effective systems and controls, including risk management systems and adequate human and technological resources;
- Maintain adequate financial resources;
- Observe proper standards of market conduct;
- Have due regard to its customers' interests and must treat them fairly;

- Due regard to the information needs of its clients, and must communicate information to them in a way that is clear, fair and not misleading;
- Manage conflicts of interest fairly, both between itself and its customers and between one customer and another, and must organise its affairs in such a way that conflicts can be identified;
- Faithfully discharge a responsibility of trust toward a customer. In doing so it must take reasonable care to ensure the suitability of its advice and discretionary decisions for a customer who is entitled to rely upon the firm's judgment;
- Arrange adequate protections for its customers' assets when it is responsible for them in accordance with the responsibility it has accepted;
- Ensure that information of a confidential nature received in the course of dealings with its customers is treated in an appropriate manner; and
- Deal with all relevant regulators in an open and cooperative manner and must keep the QFCRA promptly informed of anything relating to the firm of which the authority would reasonably expect notice.

The set of principles is not exhaustive list but rather should be seen as a general guideline on the standard of what is expected by the QFCRA. An Authorised Firm's failure to comply adequately with the principles is likely to affect the QFCRA's assessment of the firm's fitness and propriety. A breach of the principles could form the basis of action by the authority.

Principles for authorised individuals and controlled functions

An Authorised Firm should have effective corporate governance.

Individuals who exercise a Controlled Function (as defined further below) or a customer-facing function must be suitable and fit and proper, meaning the Authorised Firm should have assessed them as having skills, knowledge and experience appropriate for their roles. The QFCRA must approve the individual who exercises the Controlled Function. The senior management is responsible for the daily operations of the firm and implementing the corporate governance framework and risk management and internal controls framework.

Principles of conduct for individuals

The Individuals (Assessment, Training and Competency) Rules 2014 (INDI Rules) set out five principles of conduct for individuals who perform Controlled Functions or a customer-facing function for Authorised Firms. The principles are not an exhaustive list of the standards expected by the QFCRA.

An individual's failure to comply adequately with the principles is likely to affect the QFCRA's assessment of his or her fitness and propriety and a breach of the principles could form the basis of action by the QFCRA.

The principles of conduct for individuals are as follows:

- The individual must act with integrity at all times;
- The individual must act with due skill, care and diligence;
- The individual must observe appropriate standards of market conduct;
- The individual must deal with the QFCRA in an open and cooperative manner, and must disclose appropriately to the authority any information of which the authority would reasonably expect to be informed;
- For individuals that are a member of the firm's senior management, he or she must give appropriate priority to his or her management responsibilities, and must ensure that the business for which he or she is responsible:
  - is effectively supervised and controlled; and
  - complies with the requirements of the regulatory system.

Controlled functions

The QFCRA has specified that certain functions (referred to as Controlled Functions) in an Authorised Firm can only be performed by individuals approved by the QFCRA as an "Approved Individual". The QFCRA maintains a public register of current and former Approved Individuals, which is available on its website - www.qfcra.com.

Authorised Firms must establish training and competency programmes for individuals who perform Controlled Functions or a customer-facing function.

The Authorised Firm must be satisfied that the individual is competent and fit to perform the Controlled Function, taking into account a number of factors including the nature, scale and complexity of the firm's business, the product and services offered by the firm and the firm's clients. Individuals that perform Controlled Functions or a customer-facing function need to have the appropriate level of skill, knowledge and experience.

The Authorised Firm is also required to keep a record of its compliance with the requirements relating to the training and competency of individuals who perform a Controlled Function or customer-facing function. The senior management of an Authorised Firm is responsible for ensuring that the firm's policies, procedures, systems and controls appropriately and adequately address the training and competency requirements prescribed by the INDI Rules.

The QFCRA imposes certain requirements and restrictions on individuals who exercise Controlled Functions. Notably, individuals exercising the senior executive function, the risk management function, the compliance oversight function and the money laundering reporting officer function should be ordinarily resident in Qatar.

The Controlled Functions are:

- the non-executive governance function
- the executive governance function
- the senior executive function
- the finance function
- the senior management function
- the MLRO function
- the risk management function
- the compliance oversight function
- the internal audit function
- the actuarial function

Further information on the responsibilities of the various Controlled Functions can be found in the Governance and Controlled Functions Rules 2012 (CTRL).

Anti-money laundering and combating the financing of terrorism regime

The FSR confers upon the QFCRA responsibility in relation to the prevention and detection of money laundering, terrorist financing or other financial crimes in the QFC.

The QFC Anti-Money Laundering and Combating Terrorist Financing Rules 2010 **(AML/CFT Rules)** provide the QFC compliance framework and detailed requirements in relation to anti-money laundering and combating the financing of terrorism **(AML/CFT)**. The rules have been designed to be in accordance with the State of Qatar's Law No. 4 of 2010 on Combating Money Laundering and Terrorism Financing **(AML/CFT Law)** and aligned to the Financial Action Task Force's global recommendations and standards. In addition, relevant Qatari criminal laws in relation to this subject continue to apply in the QFC.

The QFCRA's anti-money laundering **(AML)** and combating the financing of terrorism **(CFT)** regime applies to all firms operating in or from the QFC.

The AML/CFT body of legislation which applies in the QFC is as follows:

Qatar laws and regulation:

- Administrative Order No. 1-2004 Establishing the Financial Information Unit and its Organizational Structure;
- AML/CFT Law;
- Law No. 3 of 2004 on Combating Terrorism;
- Law No. 11 of 2004 **(Penal Code)**; and
- Law No. 23 of 2004 **(Code of Criminal Procedures)**.

QFC legislation:

- AML/CFT Rules; and
- Anti-Money Laundering and Combating Terrorist Financing (General Insurance) Rules 2012 **(AMLG)**.

The AML/CFT Rules do not apply to a firm to which the AMLG Rules apply, namely the AML/CFT Rules will not apply to a firm that conducts either general insurance business or insurance mediation in relation to either general insurance contracts and/or non-investment insurance contracts.

One of the statutory objectives of the QFCRA specifically provide that it is to minimise the extent to which the business carried on by a person carrying on Regulated Activities can be used for the purposes of or in connection with financial crime. In considering this objective, the QFCRA has regard to the desirability of Authorised Firms having appropriate systems, controls and procedures to detect and prevent the incidence of financial crime.

Requirements for a firm in connection with AML/CFT

Both the AML/CFT Rules and the AMLG Rules contain six principles to which a firm is expected to adhere. These, in summary are, as follows:

- The firm's senior management is responsible for ensuring the firm's policies, systems and controls adequately address the requirements of the AML/CFT Law and the QFC compliance framework contained in the QFC AML/CFT Rules and AMLG Rules (as applicable to the type of firm);
- A firm must adopt a risk-based approach to the applicable AML rules and their requirements;
- A firm must know each of its customers to the extent appropriate for the customer's risk profile;
- A firm must have effective measures in place to ensure that there is internal and external reporting whenever money laundering or terrorist financing is known or suspected;
- A firm must have adequate screening procedures to ensure high standards when appointing or employing officers and employees and have appropriate ongoing AML/CFT training programmes for its officers and employees; and
- A firm must be able to provide documentary evidence of its compliance with the requirements of the AML/CFT Law and the applicable AML rules.

Money Laundering Reporting Officer (MLRO)

A firm must ensure that there is at all times an MLRO and deputy MLRO for the firm. The MLRO is responsible for amongst other things, oversight of the implementation of the firm's AML/CFT policies, procedures, systems and controls including the operation of the firm's risk-based approach.

The contact details of the firm's MLRO and the deputy MLRO are also retained by the Qatar Financial Information Unit for financial institutions and DNFBPs. A DNFBP is a designated non-financial business or profession which can include amongst others, a real estate agent, a dealer in precious metals, a lawyer or notary carrying on specific activities such as managing bank accounts or managing client money.

Suspicious transaction reports

The Qatar Financial Information Unit is an administrative body and was established pursuant to the AML/CFT Law. Suspicious transaction reports play a crucial role in the fight against money laundering and terrorist financing. A firm is required to report suspicious transactions to the Qatar Financial Information Unit and to cooperate effectively with the Qatar Financial Information Unit and law enforcement agencies in relation to suspicious transaction reports made to the Qatar Financial Information Unit. In that regard, the firm is expected to have procedures and controls in place to make reports of suspicious transactions to the Qatar Financial Information Unit and notify the QFCRA of the same.

Tipping off

Tipping off is the unauthorised act of disclosing information that may result in a customer or a third party (other than the Qatar Financial Information Unit or the QFCRA) knowing or suspecting that the customer is or may be the subject of: (i) a suspicious transaction report; or (ii) an investigation relating to money laundering or terrorist financing and may prejudice the prevention or detection of offences, the apprehension or prosecution of offenders, the recovery of proceeds of crime or the prevention of money laundering or terrorist financing.

A firm must ensure that its officers and employees are aware of, and sensitive to, the issues surrounding tipping off, the consequences of tipping off and that it has policies, procedures, systems and controls to prevent tipping off.

If a firm believes, on reasonable grounds, that an applicant for business or a customer may be tipped off by conducting customer due diligence measures or ongoing monitoring, the firm may make a suspicious transaction report to the Qatar Financial Information Unit instead of conducting the measures or monitoring.

Know your customer

Every firm is required to know each of its customers to the extent appropriate for the customer's risk profile and to have the necessary customer identification documentation, data and information to evidence this. A firm is expected to conduct customer due diligence **(CDD)** in relation to a customer of a firm, which will include the following:

- Identifying the customer;
- Verifying the customer's identity using reliable, independent source documents, data or information;
- Establishing whether the customer is acting on behalf of another person;
- Establishing if the customer is a legal person or legal arrangement;
- Establishing beneficial ownership;
- Obtaining the source of the customer's wealth and funds; and
- Obtaining information about the purpose and intended nature of the business relationship.

In addition to the above, a firm may be required to conduct enhanced CDD or enhanced ongoing monitoring where there is a higher risk of money laundering or terrorist financing.

Record-keeping

All firms are expected to maintain records as necessary to provide documentary evidence of their compliance with the requirements of the AML/CFT Law and the applicable QFC AML/CFT rules.

Additionally, the firm must make the records necessary to demonstrate how:

- The firm's senior management has complied with responsibilities under the AML/CFT Law and these rules;
- The firm's risk-based approach has been designed and implemented;
- Each of the firm's risks have been mitigated;
- CDD measures and ongoing reviews were conducted for each customer; and
- CDD measures and ongoing monitoring were enhanced where required by the AML/CFT Law or the applicable AML/CFT rules.

Rulebooks

The QFCRA has developed a set of rulebooks which contain the rules made and the guidance issued by the QFCRA with respect to the operations of financial institutions. In the spirit of transparency, the QFCRA undertakes a public consultation of any legislation it proposes for enactment or amendment. The rulebooks are available online on the QFCRA's website http://www.qfcra.com.

The specific QFCRA rulebooks are:

- Anti-Money Laundering and Combating Terrorist Financing Rules 2010
- Anti-Money Laundering and Combating Terrorist Financing (General Insurance) Rules 2012
- Banking Business Prudential Rules 2014
- Captive Insurance Business Rules 2011
- Collective Investment Schemes Rules 2010
- Conduct of Business Rules 2007
- Governance and Controlled Functions Rules 2012
- General Rules 2005
- Insurance Mediation Business Rules 2011
- Individuals (Assessment, Training and Competency) Rules 2014
- Investment Management and Advisory Rules 2014
- Interpretation and Application Rules 2005
- Islamic Finance Rules 2005
- Insurance Business Rules 2006
- Private Placement Schemes Rules 2010

Form of entities

In addition to a licence from the QFCA, entities wanting to conduct Regulated Activities will require an authorisation by the QFCRA. The QFCRA's rules provide for an Authorised Firm to be established in the QFC as either an incorporated entity or a branch.

Branches

While all firms need to meet the fitness and propriety criteria set out in the FSR and the General Rules, a branch application requires that certain additional criteria be addressed.

Branch applications are assessed, in part, on the basis of a jurisdiction review of the applicant firm's home country (and the country from which the firm is proposing to branch in, if that is different). The review assists the QFCRA to form an opinion on whether the country is one from which a branch would be considered acceptable.

Jurisdiction reviews contain an analysis of the relevant jurisdiction's compliance with the Basel Core Principles or IAIS Insurance Core Principles, as applicable, together with consideration of any findings from the latest IMF and World Bank Financial Sector Assessment Program review and other resources. Additionally, the QFCRA considers a variety of factors specific to the institution applicant. For banking firms, these factors include, but are not limited to, the proposed liquidity management of the branch. For insurance firms, the scope of approval in the home state, governance and operational structure of the applicant firm, and staffing proposals and reporting lines are all considered.

The QFCRA determines whether or not it will permit the applicant to establish a branch. In making this determination, in compliance with its statutory objectives, the QFCRA also has regard to what is in the best interests of the QFC, its customers and other stakeholders.

Timing for assessment of applications varies. The jurisdiction review is undertaken at the same time as the review of an applicant's draft application. Consideration of the institution's specific matters forms a component of the final application evaluation, which also considers any other matters pertinent to the assessment of whether the applicant is fit and proper to operate in or from the QFC. However, where a particular jurisdiction is regarded by the QFCRA as likely to pose challenges to an applicant's plans to establish a branch, this is communicated at the earliest opportunity, so as to enable the applicant to re-assess its proposed structure and revise the application accordingly.

The Application Process

The QFC operates a streamlined application process for those seeking to apply to the CRO to incorporate or register in the QFC and to obtain a licence from the QFCA and authorisation, if needed, from the QFCRA. The process has been designed to allow the applicant to make a single submission.

To that end, the QFC application forms require the applicant to provide sufficient information to enable the QFC to determine whether a licence or an authorisation is required, and to allow the CRO to process applications to incorporate or register in the QFC.

To start the process, a firm or individual submits an application, either for a licence to conduct Non-Regulated Activities, authorisation to conduct Regulated Activities, approval of Controlled Functions of an Authorised Firm or for authorisation to operate a branch, as appropriate.

Applying For A Licence To Conduct Regulated Activities

Applicants seeking authorisation by the QFCRA to conduct Regulated Activities must complete Form Q02. The form requires applicants to provide, among other things, general information about the firm, a description of the proposed business, details of the firm's compliance arrangements, information on the firm's IT systems, financial information about the firm and details regarding AML systems and business continuity plans. The applicant must also apply to the CRO to establish a legal presence within the QFC either as an LLC, or branch office. The applicant does not need to apply separately for the QFCA licence to operate in the QFC.

The QFCRA expects to hold a pre-application meeting to discuss the proposed business of applicants seeking authorisation and answer any questions that the applicants might have in relation to the authorisation process.

Applying For Approval Of Approved Individuals Of An Authorised Firm

Applicants applying for authorisation must ensure that individuals who will act as their Approved Individuals complete and submit Form Q03 to the QFCRA. The form requires individuals to provide information in relation to their contact details, employment history, qualifications and past financial and disciplinary history.

All the appropriate forms are available for download from the QFCRA's website www.qfcra.com.

Chapter Six

Companies Registration Office

Companies Registration Office

The Companies Registration Office **(CRO)** is responsible for:

- Incorporating and registering entities in the QFC;
- Maintaining the CRO public register; and
- Receiving periodic CRO filings and notifications

These functions are overseen by the QFCA, which makes available to the public details of the firms it licences, including information about their permitted activities. As part of a policy of transparency, QFC-licensed firms' details and information are searchable, accessible and available to all. The CRO register can be searched on the QFCA website.

Application for registration

As part of the process of establishment of an entity in the QFC, any company, branch or partnership must be registered by the CRO.
For a limited liability company **(LLC)**, a limited liability partnership **(LLP)** or a branch, an application for registration must be made on a prescribed

form and contain information about the incorporators and members, proposed business activities, nominated directors and company secretary or principal representatives, intended share capital (authorised and issued) and be accompanied by declarations from the incorporators. Any application made for a body corporate registered in another jurisdiction **(non-QFC company)** or where such non-QFC company is a partner or a member, needs to include copies of incorporation and constitutional documents of such non-QFC company and appropriate resolutions approving the establishment in the QFC.

For LLCs, information concerning nominated directors and company secretary must also be supplied and the application must be accompanied by declarations and consents by those persons. The proposed articles of association for the LLC must also be lodged.

For LLPs, the application needs to be accompanied by declarations from the applicants and members. The partnership agreement must also be lodged.

A branch must also provide information about the details of the applicant's non-QFC incorporation or partnership, and its directors. Incorporation and constitutional documents of the non-QFC company or partnership agreement and audited accounts for the previous two years must also be lodged.

CRO compliance matters

During the course of its life in the QFC, an LLC, LLP or branch must make a variety of filings with the CRO. The nature of these will depend on the type of legal entity that has been established.

Some filings are "time driven" and must be made on an annual basis and some are "event driven" and will arise when circumstances relating to the LLC, LLP or branch change. The CRO has published a number of guides to assist firms in this regard. Below are some of the compliance matters for the various forms of QFC firms.

Limited liability companies and limited liability partnerships

Annual return: Each year an LLC or LLP must complete an annual return. The annual return is a snapshot of general information at the date of the annual return about an LLC or LLP, including (where applicable) information on amongst other things its name, directors, secretary, members, shareholders, business activities, registered office and auditors.

Every LLC or LLP must submit an annual return to the CRO at least once in every 12-month period. The LLC's directors or LLPs members are responsible for ensuring that they deliver the annual return.

Audited accounts: Each year, all QFC LLCs and LLPs must prepare a set of accounts. Within four calendar months of the financial year end, the accounts must be prepared, audited by a QFC- approved auditor and approved by the members of the LLC or the LLP and in the case of an LLC, by the directors. The LLC or LLP must file a copy of the accounts with the CRO within 21 days of the approval of the members. A collective investment fund registered with the QFCRA or a firm licensed as a Special Purpose Company is exempt from this requirement.

Ad hoc or event-driven filings: When an event occurs whereby a LLC or an LLP's particular circumstances change, this results in the requirement to make a notification to the CRO. Such events may include:

- Change of directors or their details (in the case of an LLC);
- Change of company secretaries or their details (in the case of an LLC);
- Change of registered office;
- Appointment and change of auditor;
- Change of name;
- Change of financial year end;
- Allotment of shares (in the case of an LLC);
- Change of member (in the case of an LLP); and
- Alteration of authorised share capital (in the case of an LLC).

Branches

Branches are not required to file an annual return or accounts with the CRO in the same manner as LLCs and LLPs. There are ad hoc or event-driven filings, which include:

- Change of non-QFC company director;
- Change of principal representatives or their details;
- Change of principal place of business; and
- Change of constitutional documents of the non QFC Company.

In order for the CRO to maintain an up-to-date public register, any failure to complete these filing within the required time limits will constitute a breach of the applicable regulations and may attract a financial penalty.

Chapter Seven

Employment and Immigration Law

Employment and Immigration Law

Introduction

Employment in the QFC is governed by the provisions of the QFC Employment Regulations No.10 of 2006 as amended **(Employment Regulations).** The Employment Regulations set out the minimum standards, requirements and conditions of employment in the QFC. The Employment Regulations also create the Employment Standards Office as the body responsible for the administration of the Employment Regulations.

Sponsorship and immigration of employees

Sponsorship and immigration matters in the QFC are governed by the QFC Immigration Regulations No.11 of 2006 **(Immigration Regulations)**.

The QFC Immigration Office administers the Immigration Regulations and determines its own procedures and management.

The QFC Immigration Office is in charge of receiving and processing all visas, sponsorship and residence permits applications for the QFC employees and their family members.

THE QFC Immigration Office liaises with the Immigration Department of the Ministry of Interior in order to secure sponsorship of expatriate employees for QFC firms. Unlike firms outside the QFC, firms in the QFC do not have to seek approval from the Labour Department for the employment of expatriates.

Employment contracts

Employment contracts may be for a fixed term or for an unlimited duration.

Under the Employment Regulations, the parties are required to enter into a written employment agreement which must include the following:

- the name of the employer and the employee;
- the date of commencement of employment;
- the employee's salary or method of calculation of salary;
- the intervals at which the salary is paid;
- the job title or job description;
- whether the employment is for a specified fixed term or of unlimited duration;
- the place of work;
- any terms or conditions relating to hours of work and annual and sick leave;
- reference to any disciplinary rules and/or grievance procedures applicable to the employee; and
- any other matter that may be prescribed in any rule, policy or order issued under the Employment Regulations.

Employment contracts are not required to be lodged with any authority.

Employment terms

Probation period

The Employment Regulations provide that employees can be placed on probation for a period which does not exceed six months and which cannot comprise more than one probationary period. The employment can be terminated during this time by providing not less than two weeks' notice.

Termination of employment

The main ways of terminating a contract of employment under the Employment Regulations are:

- Termination by the employee with appropriate notice;
- Termination by the employee without notice in cases where the employee has fundamentally failed to fulfill its obligations to the employer (i.e. "cause");
- Termination by the employer with appropriate notice for any non-discriminatory reason;
- Termination by the employer without a notice period and without end of service gratuity for "cause";
- Non-renewal of a fixed-term contract;
- Termination during the probationary period with two weeks' notice by either party; or
- Termination by mutual consent.

The minimum notice period owed to employees who have been employed for one month or longer is as follows:

- Two weeks, if the employee has been in continuous employment for a period of less than three months;
- One month, if the period of continuous employment is more than three months but less than five years; and
- Three months, if the employee has been in continuous employment for five years or more.

An employee may terminate the employment without notice in the event of a material breach of the employment contract or the Employment Regulations by the employer.

An employer may also terminate the employment without notice in the following circumstances:

- The employee has breached his or her obligations under the employment contract or under the Employment Regulations;
- The employee has provided false documents or certificates;
- The employee has committed a mistake that has resulted in substantial financial losses to the employer;

- The employer has violated more than once instructions related to the safety of other employees and the establishment;
- The employee has committed several breaches of his or her employment contract or the Employment Regulations which do not individually constitute a material breach and the employer has previously warned the employee in writing;
- The employee has divulged secrets of the employer;
- The employee has been found intoxicated or under the influence of illegal narcotics during his/her work time;
- The employee physically assaulted the employer or other employees;
- The employee has been absent without a justification for more than seven consecutive days or for more than 15 days in the aggregate in a 12 month period;
- The employee has been found guilty by a local court for a crime; or
- The employee's behaviour constitutes misconduct.

An employer must pay all outstanding wages and other fees owing to an employee within 30 days after the termination of the employment contract.

Discrimination

Under the Employment Regulations, discrimination against employees on the following grounds is prohibited:

- Sex;
- Marital status;
- Race;
- Nationality;
- Religion; or
- Mental or physical disability.

Payment of wages

An employer must provide employees with a written itemised pay statement that includes the amounts of any variable or fixed deductions from the employees' wages, and the purposes for which they are made. An employer must pay employees at least monthly and must maintain a payroll record.

Sick leave

The maximum annual sick leave an employee is entitled to without the need for a medical certificate is 30 days and 90 days with a medical certificate. If the employee takes more than a total number of 90 days' sick leave within one year', the Employer is entitled to terminate the employment immediately with written notice.

Public holidays

Each employee shall be entitled to the following paid holidays each year:

- Three working days for Eid El-Fitr;
- Three working days for Eid Al-Adha;
- One working day for the National Day; and
- Three working days to be specified by the employer.

Maternity leave

The Employment Regulations stipulate that female employees are entitled to maternity leave with full pay of three months provided they have completed one year's service with the employer. The maternity pay is calculated as follows:

- Normal weekly pay for the first 45 days of maternity leave; and
- Half the normal weekly pay for the subsequent 45 days of maternity leave

The maternity rights granted under the Employment Regulations also apply to a female employee adopting a child under three months old.

Health and disability insurance

An employer is required to obtain and maintain insurance cover for health and disability income in the manner prescribed in rules, policies or orders issued under the Employment Regulations which shall provide for periodic payments in respect of lost income when an employee is unable to work due to illness or injury.

Employment Standards Office (ESO)

Apart from collection of employment information from QFC firms, the ESO has a compliance role as well. An employee or former employee can complain to the ESO if he or she believes there has been a contravention of the Employment Regulations. The ESO can also be asked to review a penalty an employer has imposed on an employee.

If a complaint is made, the ESO will contact the employee and employer in an effort try to resolve the situation. If the dispute is not resolved, the ESO may investigate further.

In the event that the ESO then decides that there has been a contravention of a rule or order, it may instruct the person committing the contravention to:

- Comply with ESO requirements;
- Fix or stop doing whatever comprises the contravention;
- Pay any costs incurred by the ESO during the investigation;
- Pay any outstanding salary payments;
- Pay compensation and out-of-pocket expenses;
- Take action to stop or reduce any continued adverse effect;
- Pay a financial penalty.

The ESO can change or cancel its decision if circumstances change.

A person may appeal against a decision or fine issued by the ESO by lodging an appeal with the Regulatory Tribunal. This must be done within 30 days of the date of receipt of notice of such decision or fine. The Regulatory Tribunal may grant a stay of the decision until it has reached its own decision and it can attach other conditions, such as requiring a party to deposit as security part or all of a monetary order. Once a decision has been made, the parties (including the ESO) must comply with the directions of the Regulatory Tribunal.

Chapter Eight

Tax in the QFC

Tax in the QFC

The QFC tax regime applies to all QFC-licensed firms and draws from features of other established and sophisticated tax regimes. However, unlike other jurisdictions, the system is not burdensome or as extensive as one might find in those places where there are increasing requirements to maximise tax revenue.

Tax regime

The QFC tax regime's key features include:

- Corporation tax rate of 10% on locally-sourced profits;
- Extensive tax exemptions for qualifying activities, dividends and capital gains;
- No withholding tax on payments out of qatar;
- Access to qatar's extensive tax treaty network of over 50 double tax treaties; and
- No personal income tax, wealth tax, zakat, goods or services tax or VAT.

The QFC tax regime is put into place by the QFC Tax Regulations (2010) made pursuant to Article 9 of the QFC Law and comprising 151 articles. When compared with the 9,834 sections of the US Internal Revenue Code, the 845 sections of the UK's Income and Corporation Taxes Act 1988 and the 1965 articles of the French *Code Général des Impôts*, one can see the QFC regime is more streamlined and user-friendly, in so much as any tax legislation can be.

Taxable profits

Taxable profits are classified as "locally-sourced" if they arise in or derive from Qatar sources. They are not considered locally-sourced if they arise from:

- Immovable property outside Qatar;
- A QFC firm's permanent establishment outside Qatar; or
- Passive interest income where the borrower is not resident in Qatar.

Profit is generally calculated by reference to the Generally Accepted Accounting Principles **(GAAP)** and most items of expenditure are tax-deductible (including pre-trading expenses). Non- deductible items include debt forgiveness between associated persons, overseas tax payments, fines, general provisions, distributions, and expenditure incurred in getting a QFC licence or generating income that is exempt from tax (for example bad debts associated with lending that has not produced taxable passive interest income).

There are no capital allowance provisions, but tax deductions are allowed for commercially calculated depreciation and amortisation charges that are disclosed in the financial statements for (respectively) tangible and acquired intangible fixed assets.

Tax reliefs and losses

Some businesses – including reinsurers, captive insurers and businesses that are Qatari-owned (i.e. at least 90% owned by Qatari nationals) – benefit from a concessionary tax rate of 0%. This ensures that qualifying QFC-established businesses pay no more tax than comparable businesses established in the State of Qatar. Dividend receipts, returns on public treasury bonds and capital gains relating to the disposal of the majority of shareholdings (broadly, where more than a 10% interest is held) are also tax-free.

The profits of most QFC Holding Companies, Special Purpose Companies and investment funds (including those which invest in property) are exempt from tax. Whilst the profits of Single Family Offices are taxable, the investment vehicles that they manage are likely to be tax exempt. However, a Single Family Office's taxable profits may be relatively small if they receive tax-free performance fees or, if Qatari-owned, the Single Family Office should be able to apply for the 0% concessionary tax rate.

Tax losses may be carried forward to be set off against future profits, without any time limits, but cannot be carried back. Group relief is also available for QFC companies with a 75% ownership relationship. In addition, businesses newly setting up in the QFC can apply for a cash tax credit for tax losses incurred in the first two years of start-up operations, subject to qualifying criteria and specified limits.

Tax compliance

The QFC tax regime is a self-assessment system which means that the QFC taxpayer files its own tax returns, calculates its own tax based on the tax return and remits any tax due to the QFC Tax Department. The QFC Tax Department has the right to assess and enquire into the return but if no enquiry is raised within 12 months of the return being filed, the taxpayer can regard its self-assessment as being agreed.

The QFC Tax Department provides an advanced ruling service. This will be binding upon the QFC Tax Department subject to certain pre-conditions and according to Article 104 of the QFC Tax Regulations is to be provided in an "efficient and timely" manner. At this point in time, there is a target turnaround time of 30 days to respond to a ruling request. The service is fee-based but allows QFC firms to find out how the QFC Tax Department considers the QFC Tax Regulations apply to specific transactions.

For firms seeking a ruling on any specific matter, the QFC Tax Department will not take any action against the firm provided that the firm follows the facts as set out in the ruling application. However, if the firm is unhappy with the ruling given, it is still open to the firm to challenge any decision in the appropriate QFC forum. Internal appeals can be lodged with the QFC Tax Department and appeals can also proceed to the QFC Regulatory Tribunal and ultimately to the QFC Civil and Commercial Court. At the time of writing, no tax cases have been heard in the Regulatory Tribunal or the court.

In an apparent first for the Middle East and North African region, the QFC Tax Department has also published its entire in-house tax guidance manual **(QFC Tax Manual)** online. This is intended to help QFC taxpayers and their agents prepare tax computations and returns that are compliant with the QFC Tax Regulations and Rules.

Avoidance

Unlike other jurisdictions, including the State of Qatar), the QFC tax regime does not contain a general anti-avoidance rule, which should prevent the QFC Tax Department from classifying bona fide business transactions as aggressive tax planning that one can find in other jurisdictions.

Some specific features

Certain entities have specific rules applicable to them.

A Holding Company; there are no withholding taxes on payments of dividends, interest, royalties or management fees by a holding company. Additionally, there are no capital duties on equity investments or received dividends, and the profits from the activities of most holding companies are tax-free whilst a participation exemption is available for gains on disposals of subsidiaries.

Special Purpose Companies can be used to support a variety of activities in the field of asset financing including managing financial assets in a transaction, acting as a guarantor, holding assets as security, or any other activity required to support an asset finance transaction. This can include facilitating Islamic Finance transactions such as sukuk. Most Special Purpose Companies are not subject to tax and advance rulings can be applied for with regard to tax exempt status.

Single Family Offices are established as non-regulated entities to manage the business, investments and wealth of a single family. A Single Family Office may provide a wide range of services to a single family, ranging from managing investments, accounting and administrative services, acting as trustee, director or partner on behalf of a single family, to organising a philanthropic or charitable strategy for the family. Qatari-owned Single Family Offices can apply for a 0% concessionary rate, subject to meeting specific criteria. There are also tax exemptions on priority profit and other performance fees received by a Single Family Office from any source.

International landscape

There is a transfer pricing regime that imposes requirements on associated entities to treat transactions between them on an arm's length basis similar to what would be found in other advanced jurisdictions.

In order to deal with thin capitalisation, the QFC Tax Department provides safe harbour debt to equity ratios of 2:1 for non-financial institutions and 4:1 for financial institutions which are non-statutory and non-binding.

The QFC tax regime has evolved since its introduction and is designed to support the development of new business using the QFC platform. Whilst the flat rate of 10% will appeal to businesses in jurisdictions with much higher rates of tax, the QFC is not as yet considered a tax haven and the QFC tax regime is recognised by the Organisation for Economic Cooperation and Development **(OECD)** as a "credible, robust and transparent" tax regime.

Chapter Nine

QFC Courts

QFC Courts

Introduction

The QFC Law introduced two judicial bodies into the QFC - the Civil and Commercial Court **(Court)** and the Regulatory Tribunal. With the QFC Law having created what is effectively a new legal system within Qatar which applies to those conducting business in the QFC, it was considered necessary to create appropriate judicial bodies, staffed by expert judges from a range of jurisdictions, to settle disputes which arise amongst the entities which make up the QFC and those who do business there.

Jurisdiction

The jurisdiction of both the Court and the Regulatory Tribunal is set out in Article 8 of the QFC Law. The Court, which comprises both a First Instance Circuit and an Appellate Division, has the jurisdiction to hear:

- Civil and commercial disputes arising from transactions, contracts, arrangements or incidents taking place in or from the QFC between entities established in the QFC;

- Civil and commercial disputes arising between the QFC authorities or institutions and the entities established in the QFC;
- Civil and commercial disputes arising between entities established in the QFC and contractors and employees of such QFC entities, unless the parties agree otherwise; and
- Civil and commercial disputes arising from transactions, contracts or arrangements taking place between entities established within the QFC and residents of the State of Qatar, or entities established in the State but outside the QFC, unless the parties agree otherwise.

The Regulatory Tribunal has the jurisdiction to hear appeals raised by individuals and corporate bodies against decisions of the QFCA, the QFCRA and other QFC institutions.

Both the Court and the Regulatory Tribunal have their own set of regulations and procedural rules which parties to proceedings must follow.

Judges

Both the Court and the Regulatory Tribunal are made up of judges of international repute. When the two bodies were first established, the Court was led by its President Lord Woolf of Barnes, a former Lord Chief Justice of England and Wales, and the Regulatory Tribunal by Sir William Blair, a now High Court judge of England and Wales. As both judges have now retired from their respective positions in Qatar, the President of the Court at the time of writing is Lord Phillips of Worth Matravers, a former Lord Chief Justice of England and Wales and the first President of the Supreme Court of the United Kingdom. At the time of writing, the Regulatory Tribunal is led by Sir David Keene, a former judge of the Court of Appeal in England and Wales.

In addition, the Court and the Regulatory Tribunal are supported by a number of other eminent judges and legal practitioners from a variety of countries including Qatar, the United Kingdom, France, Germany, Hong Kong, Singapore, Japan, India and New Zealand.

Judicial appointments are governed by Schedules 5 and 6 of the QFC Law but, generally speaking, judges are appointed for a renewable term of five years. Prior to undertaking any judicial work, judges take an Oath of Office and an Oath of Allegiance to His Highness the Emir, in whose name all judgments of the Court and Regulatory Tribunal are issued. Furthermore, judges subscribe to a Judicial Code of Conduct, the cornerstones of which are independence, impartiality, integrity and propriety.

Workload

The workload of the Court remains reasonably light owing to the fact that the Court's jurisdiction is currently limited to hearing and resolving those specific types of disputes listed in the QFC Law. It is inevitable, however, that as the number of businesses and firms that seek to establish themselves within the QFC increases, so too will the number of disputes being heard by the Court.

The Regulatory Tribunal, which has an even more limited jurisdiction than the Court, has heard only a very small number of cases to date which have been appeals by either individuals or firms against decisions of the QFCRA and the CRO.

Fees

At present, neither the Court nor Regulatory Tribunal charges fees for bringing cases before them.

Commencing proceedings in the Court

Proceedings are commenced by the issue of a claim form which the Registry, headed by the Registrar, issues on behalf of the Court. A party **(Claimant)** who wishes to have a claim form issued must complete the claim form ensuring that it contains all the necessary information required by the regulations and procedural rules of the Court **(Court's Regulations)**. This includes the names and contact details of the parties to the dispute, the nature of the dispute, the basis upon which it is alleged the Court has jurisdiction, the legal basis for the claim and the remedy sought. If the Registry is satisfied that the claim form has been fully completed, it will date and stamp the claim form and return a copy of it to the Claimant.

A claim form is valid for service for four months from the date of its issue and it is the Claimant's responsibility to ensure that the claim form is served on the defendant in accordance with the Court's Regulations. Methods of service include personal service, delivery to the party's home address or registered office address, fax, or by any method that has been agreed by the parties or directed by the Court, acting by the Registrar. Once the claim form has been served on the Defendant, the Claimant must notify the Registry as to the date and manner of its service.

Once a party **(Defendant)** has been served with a claim form, they have 28 days in which to file and serve a defence, or an indication that it admits the claim, whether in full or in part. Any defence (or admission to a claim) must be filed with the Registry and served on the Claimant. If the Defendant wishes to challenge the jurisdiction of the Court to determine the case, it has 14 days from service of the Claim Form in which to do so. The Defendant must complete an application notice explaining why it believes the Court does not have the jurisdiction to hear the matter. Such an application notice must be filed with the Registry and served on the Claimant.

The Claimant may file and serve a reply to the Defence, or application notice, if it wishes to do so. The Registrar will set a timetable for such reply or application notice.

Once all the pleadings have been filed and served, the Registrar and/or the Court will give directions as to the future management of the case. Directions may relate to such matters as disclosure of documents, the filing of witness statements and whether or not expert evidence may be required, to aspects of the hearing, such as the estimated duration and procedure to be followed.

Commencing proceedings in the Regulatory Tribunal

If a party **(Appellant)** is appealing a decision of the QFCA, QFCRA or other QFC institution, it must file an appeal notice with the Registry, a copy of which must be served on the relevant QFC institution no later than seven days after it is filed with the Registry. The appeal notice must contain all the necessary information required by the Regulations and Procedural Rules of the Regulatory Tribunal **(Tribunal Regulations)** including the full details of the Appellant, the decision which the Appellant wishes to challenge, the basis upon which the Regulatory Tribunal is said to have jurisdiction, the grounds upon which the challenge is based, the remedy sought, as well as any other information relevant to the determination of the appeal.

The QFC institution concerned then has 28 days in which to file and serve a response which must, amongst other things, include the reasons for the QFC institution's decision as well as identify any relevant law or regulations upon which that decision was reached. The Appellant is then given a further 28 days in which to file and serve a reply identifying, in particular, any matters contained within the response which the Appellant disputes.

The Registrar and/or the Regulatory Tribunal will then give directions as to the future management of the case.

Hearings and judgments

Hearings before the Court and Regulatory Tribunal are conducted in public. Case listings are displayed in local newspapers either the day before the hearing is due to commence, or on the day itself. Listings and other information about hearings are also available from the Court and Regulatory Tribunal Registry and the QIDRC's website.

Proceedings before both bodies will usually be conducted in English, although they can be conducted in Arabic should the parties so wish. In addition, and in the event that a witness needs to give evidence in any other language, the Registry will ensure that a suitably qualified interpreter is made available.

Parties may represent themselves before the Court or Regulatory Tribunal, or may instruct a suitably qualified lawyer. There is a presumption that a qualified lawyer, who is entitled to appear before a superior court, whether in the State of Qatar or any other jurisdiction, shall have rights of audience before the Court and Regulatory Tribunal. The Registrar may require lawyers to submit copies of valid practising certificates (or their equivalent) before they are permitted to appear before the Court or Regulatory Tribunal.

Both the Court and the Regulatory Tribunal shall conduct hearings in such manner as they consider to be most suitable, given the issues raised by the dispute or appeal in order to facilitate the just, expeditious and economical determination of the dispute.

Hearings (or parts of them) may take place by video or audio link at the request of the parties and/or following a direction of the Registrar or of the Court or Regulatory Tribunal.

Hearings are recorded and copies of the audio or audio-visual recordings can be made available to the parties upon request and with the permission of the Court or Regulatory Tribunal. Similarly, transcription services can be made available for the benefit of the parties although the parties may have to bear the cost of this if the Court or Regulatory Tribunal considers that the provision of such services is unnecessary.

Judgments of the Court and Regulatory Tribunal become effective from the moment of their pronouncement which may be immediately following the conclusion of the hearing or may be at a later date. Once the judgments have been distributed to the parties, they are made available, in both English and Arabic languages, on the Court and Regulatory Tribunal websites.

Costs

Both the Court and Regulatory Tribunal have broad powers in relation to the issue of costs. The general rule for cases before the Court is that the unsuccessful party will pay the costs of the successful party whereas, in proceedings before the Regulatory Tribunal, it will not normally be the case that any award of costs is made.

Both bodies may make awards of costs to be assessed if these have not been agreed. If the parties are unable to reach agreement as to the appropriate amount to be paid, the assessment will be made by the Registrar whose decision on the matter will be final unless a party seeks to challenge it before the Court or Regulatory Tribunal.

Appeals

Judgments of the Court and Regulatory Tribunal are usually considered final. There is, however, an Appellate Division which hears appeals from both First Instance judgments of the Court and judgments of the Regulatory Tribunal.

Like proceedings before the Court and Regulatory Tribunal, appeals are heard before a panel of three judges, which usually comprises the President plus two other judges. There is, however, no automatic right of appeal. Permission of the Court must be sought in order to bring an appeal and the Court will only grant permission where there are 'substantial grounds for considering that a judgment or decision is erroneous and there is a significant risk that it will result in serious injustice'. A decision to refuse permission to appeal is final, as is any other judgment of the Appellate Division.

Enforcement

The Court and Regulatory Tribunal have the power to enforce their own judgments and to deal with contraventions of their judgments through the imposition of fines or any other order considered necessary in the interests of justice. The Enforcement Judge is primarily responsible for enforcing judgments of both bodies and has wide powers to ensure that judgments of the Court and Regulatory Tribunal are complied with.

Other forms of dispute resolution

Arbitration

In addition to its litigation and appellate jurisdiction, the Court also has jurisdiction to determine certain matters in accordance with the QFC Arbitration Regulations. The arbitration regime within the QFC is outside the scope of this Chapter but, in short, where parties choose to seat an arbitration within the QFC, the Court may be called upon to exercise functions such as:

- Issuing interim measures;
- Appointing arbitrators;
- Determining challenges to the appointment of arbitrators, or otherwise terminating the appointment of an arbitrator;
- Consolidating arbitration proceedings or determining applications for joinder;
- Determining jurisdictional challenges;
- Enforcing interim measures;
- Assisting the arbitral panel in taking evidence;
- Determining applications for the setting aside of awards; and
- Matters relating to the enforcement of awards.

Where a party has a query which relates to the Court's jurisdiction over a QFC-seated arbitration, such query should be referred to the Registrar.

Mediation

The Registrar can assist parties who wish to mediate a dispute by providing parties with the details of accredited mediators (including judicial mediators) whom the parties may then seek to appoint.

QFC
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