

The QFC Collective Investment Scheme regime in a nutshell

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The QFC Collective Investment Scheme regime in a nutshell

Introduction

Introduction

The QFC represents an on-shore business environment in Qatar that offers a regulatory and legal framework comparable with international best practices and standards



Introduction (1/2)

The Qatar Financial Centre



Qatar – Quick Facts

- Population: ca. **2,7 mil people**
- **3rd largest natural gas reserves in the world** – estimated value \$17 trn
- GDP pro capita (PPP): ca. \$130k
- **GDP Growth: 3.7%**
- Current **mega projects in Qatar valued at close to \$200 billion**. Leading property projects included the Msheireb development and the Lusail City project
- Forbes rank Qatar as the 45th best country to do business with
- **#14 most competitive country** according to the World Economic Forum 2016 ranking
- Will host the **FIFA 2022** world cup

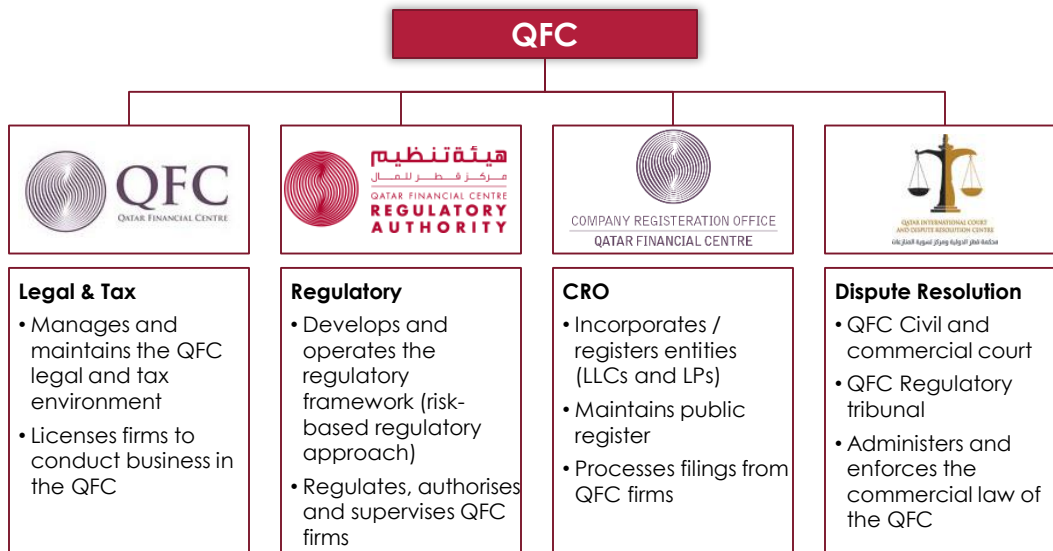
Introduction (2/2)

The Qatar Financial Centre

About the QFC

- Established by the Government in 2005, the QFC has become an integral part of Qatar's rapid growth and is fulfilling its mandate to help build a world-class **on-shore** business environment in Qatar, offering a **regulatory infrastructure comparable with international best practice** and standards
- Based on **English Common Law**
- **QFC allows 100% ownership** by foreign companies (foreign ownership limits in Qatar require 51% Qatari partner)
- All **profits can be repatriated** outside of Qatar
- **One-stop-shop** for licensing, commercial registration, immigration and related services
- Dedicated **facilities team to support office setup**, range of office premises available

Our Mission: "To deliver a robust and efficient financial regulatory framework that supports economic prosperity and financial stability and is aligned with international best practices"



The QFC Collective Investment Scheme regime in a nutshell

The QFC collective investment scheme regime

The QFC collective investment scheme regime

The QFCRA has created a set of requirements to regulate the market for both QFC and non-QFC schemes



The QFC collective investment scheme regime (1/5)

Types of schemes and vehicles allowed in the QFC

- The QFC broadly divides schemes into **two categories**:

NON-QFC SCHEMES

Any scheme **established outside the QFC**, including schemes domiciled in the State of Qatar but outside the jurisdiction of the QFC

QFC SCHEMES

Schemes **established in the QFC** and registered either under Collective Investment Schemes Rules (COLL) or Private Placement Schemes Rules (PRIV)

- 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

Collective Investment Trusts (CIT)

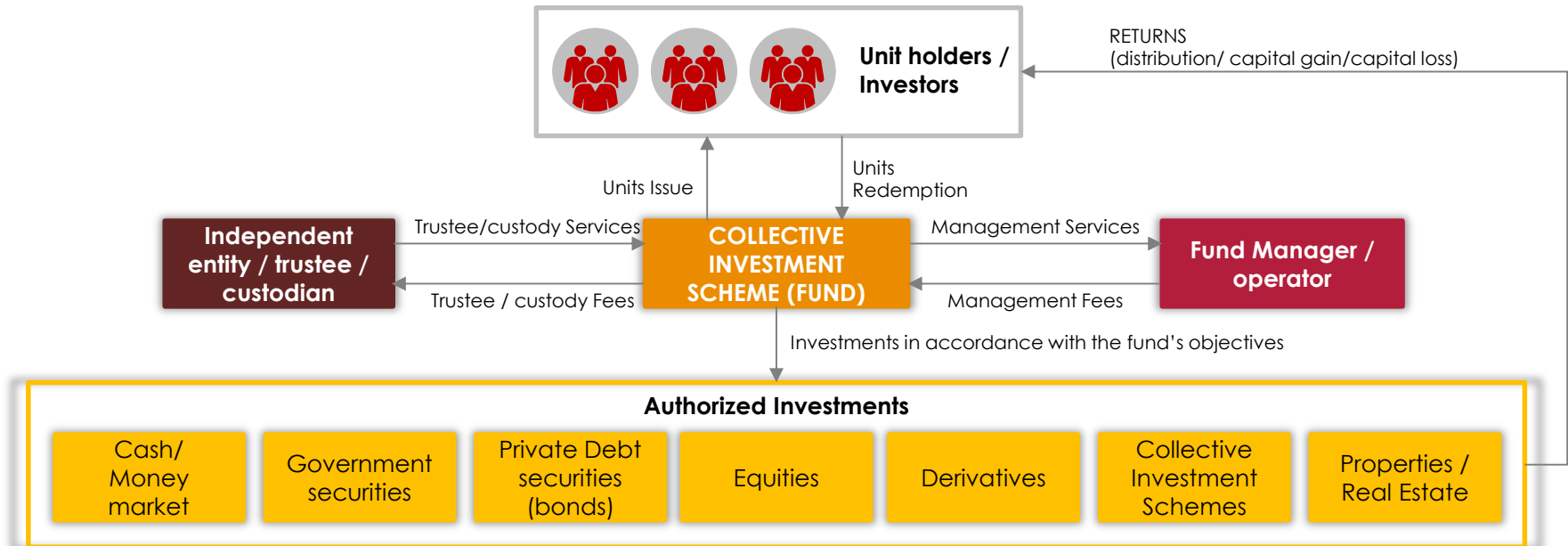
- An express trust created under the *Trust Regulations 2007* if its trust instrument provides that the trust is established for the sole purpose of constituting a scheme

Other permitted forms of QFC schemes

- The Regulatory Authority may also permit other legal forms for a scheme provided that the entity is established for the sole purpose of constituting a scheme.
- Restrictions apply to retail schemes, which must either take the form of a CIC or CIT.

The QFC collective investment scheme regime (2/5)

QFC Schemes - General workflow and definitions



Definitions

- The **Collective Investment Scheme** is the vehicle referred to as “pooled investment”. In general, a fund manager invests the pooled money coming from investors in one or more types of asset, such as stocks, bonds, derivatives, currencies or property. This investment generates a return to investors (distribution / capital gain or loss). Investments are done in accordance with the fund's objectives; **authorised investments** are listed in the fund's prospectus.
- The **fund manager (operator)** of a collective investment scheme is the person responsible under QFCRA rules for managing the scheme, including all of the scheme property.
- The **independent entity/trustee** of a collective investment scheme is the person responsible for safeguarding the scheme property (depository or trustee for non-QFC funds).
- The **independent custodian** is the entity that holds the scheme property. It must be authorised in the QFC or by another jurisdiction providing an appropriate level of protection for participants and potential participants in the scheme.

The QFC collective investment scheme regime (3/5)

QFC schemes - Key features

- Each type of QFC scheme 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:
 - **COLL** (Collective Investment Schemes Rules): for **retail** and **qualified investor schemes**
 - **PRIV** (Private Placement Schemes Rules): for **private placement schemes** (up to 100 unit holders)
- 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 (EU) Directive for Undertakings for Collective Investment Schemes in Transferable Securities (UCITS).

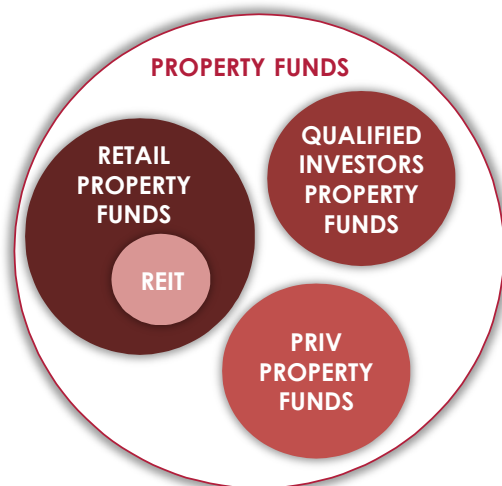
Type of scheme	Rules applying	Investors	Fund's legal form	Open / Closed ended	Key entities	Investment and borrowing restriction	Fund types
Retail scheme	COLL COND	All	CIC or CIP	Open-ended	<ul style="list-style-type: none"> • Operator • Independent entity 	<ul style="list-style-type: none"> • Concentration limits (diversification) • Liquid investments • Borrowings restricted to 10% of the scheme's property 	<ul style="list-style-type: none"> • UCITS type schemes • Property funds • Islamic funds
Qualified investor scheme	COLL COND	Only qualified investors	Any	Open-ended	<ul style="list-style-type: none"> • Operator • Independent entity 	<ul style="list-style-type: none"> • No concentration limits • Less liquid investments allowed • Borrowing allowed up to 100% of the scheme's property 	<ul style="list-style-type: none"> • Property funds • Feeder funds • Funds of funds
Private placement scheme	PRIV COND	Only qualified investors (up to 100)	Any	Either open or closed-ended	<ul style="list-style-type: none"> • Operator • Independent custodian 	<ul style="list-style-type: none"> • No restrictions 	<ul style="list-style-type: none"> • Hedge funds • Private equity funds

The QFC collective investment scheme regime (4/5)

Focus: Property Schemes - Features and structure options

- A property fund is a QFC scheme that is **dedicated to investments in immovable assets** and in securities issued by corporations whose main activities are investing in immovable assets.
- In general, for every kind of property scheme, the Operator has to appoint a **standing independent valuator** who performs, at all times, yearly and monthly valuation of the immovable assets.
- There are different options for establishing a property scheme in the QFC:

Property schemes - Structure options:

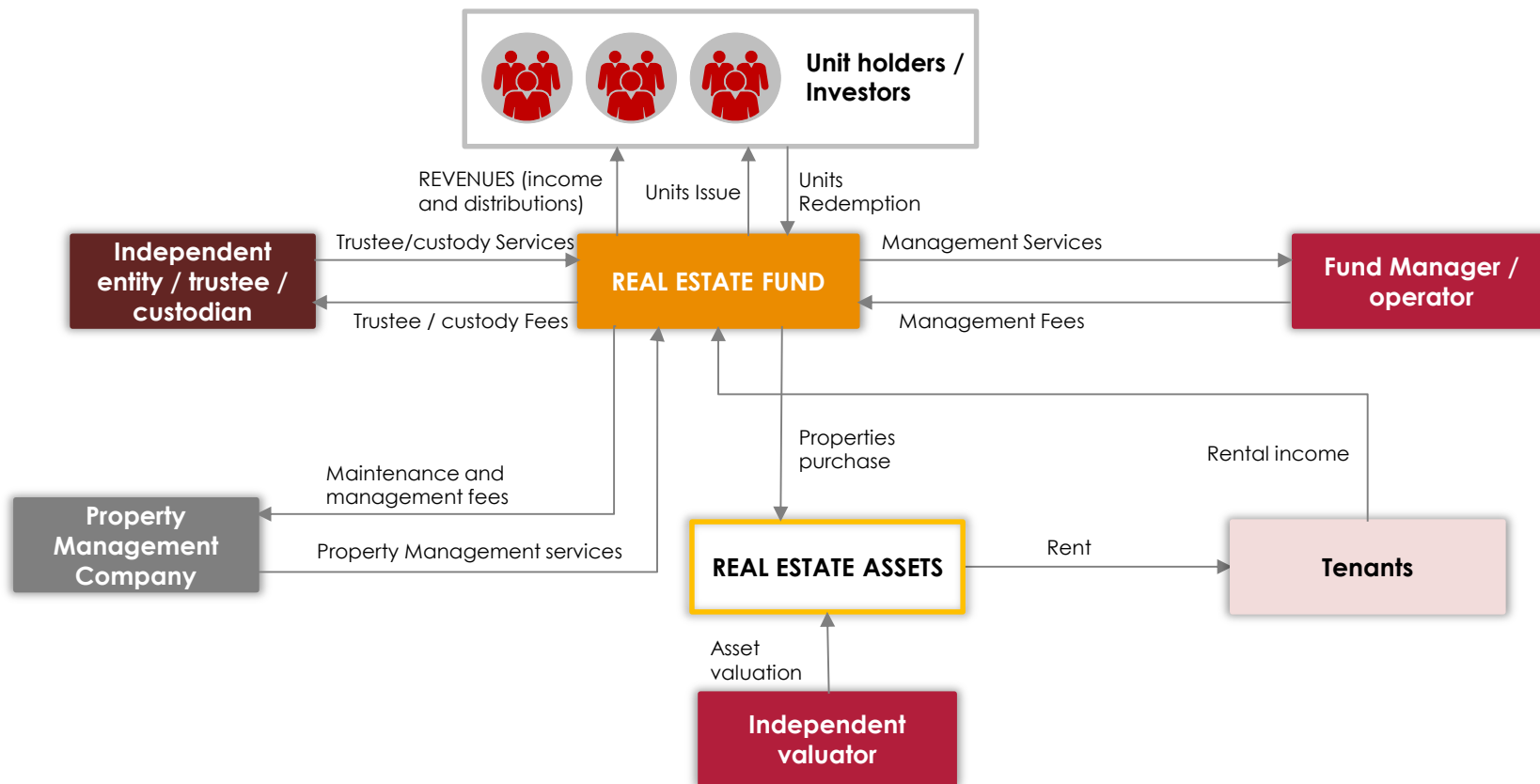


Type Property Fund	Legal form	Open / Closed ended	Joint ownership of immovable	Fund listing	Investment restriction and other obligation
Retail⁽¹⁾	CIC or CIP	Open / closed ended	• With at least 50% of fund's ownership	NO	• Min 75% of asset value all times invested in at least 3 income generating immovable
Real Estate Investment Trust (REIT)⁽¹⁾	CIC or CIT	Closed-ended	• With at least 50% of fund's ownership	YES	• Min 75% of asset value all times invested in at least 3 income generating immovable • Max 30% of asset value invested in immovable under development • Obligation to distribute at least 80% of the annual net income
Qualified investors⁽¹⁾	Any	Open-ended	• Admitted	NO	• No specific investment limits
Private placement	Any	Open / closed ended	• Admitted	NO	• No specific investment limits: 100% of the scheme NAV may be invested in any single immovable

(1) Retail, REIT and Qualified Investors schemes are based on COLL rules (modelled on UCITS).

The QFC collective investment scheme regime (5/5)

Focus: Property Schemes - Overall workflow and peculiarities



Peculiarities

- If the Property Scheme is established as a **REIT**, a trust must be set up (the appointed trustee will oversee activities of the REIT and ensure that managers act in the interest of investors)
- If a **CIP** is established, a partnership among investors needs to be established

Scheme activities allowed in the QFC

INMA Firms and regulated activities



- **Investment Management and Advisory (INMA) Firms** are those authorised by the Regulatory Authority in accordance with the INMA Rules.

Legal form that firms can take:

LLC or LLP

- Incorporated under the *Companies Regulations 2005* or under the *Limited Liability Partnership Regulations 2005*
- **Comply with all the rules set in the QFC**, and must have, at all times, financial resources as required by the QFCRA

- Registered with the QFC Companies Registration Office (CRO)
- Complies with rules set in the QFC
- In relation to financial resources, it **complies with the prudential requirements set by its home financial services regulator** even if it must assure **extra resources to cover its liabilities in Qatar**

Branch

Regulated activities that INMA Firms can perform and related capital requirements

	Authorised and Regulated activity	Description	Minimum paid-up share capital (QAR)
INVESTMENT FIRMS (may hold Clients' money)	• Dealing in investments as agent	• Buying, selling, subscribing investments	• 1.8 million
	• Managing investments	• Managing assets belonging to another person	• 1.8 million
	• Providing custody services	• Safeguarding and administrating assets	• 1.8 million
	• Operating a Collective Investment Scheme	• Establishing, operating or winding-up a fund (acts as trustee of a CIS)	• 1.8 million
	• Providing custody services for a CIS	• Safeguarding or administrating assets of a CIS	• 35 million
ADVISORY FIRMS (do not hold Clients' money)	• Providing scheme administration	• Day to day administration (no investments)	• 900,000
	• Arranging deals in investments	• Arranging with another person to deal	• 900,000
	• Arranging provision of custody services	• Arranging for another person custody services	• 900,000
	• Arranging financial facilities	• Arranging for another person financing	• 900,000
	• Advising on investments	• Giving advice to a person on investments	• 900,000

The QFC Collective Investment Scheme regime in a nutshell

INMA Firms' Authorisation process and schemes registration

INMA Firms' Authorisation process and schemes registration

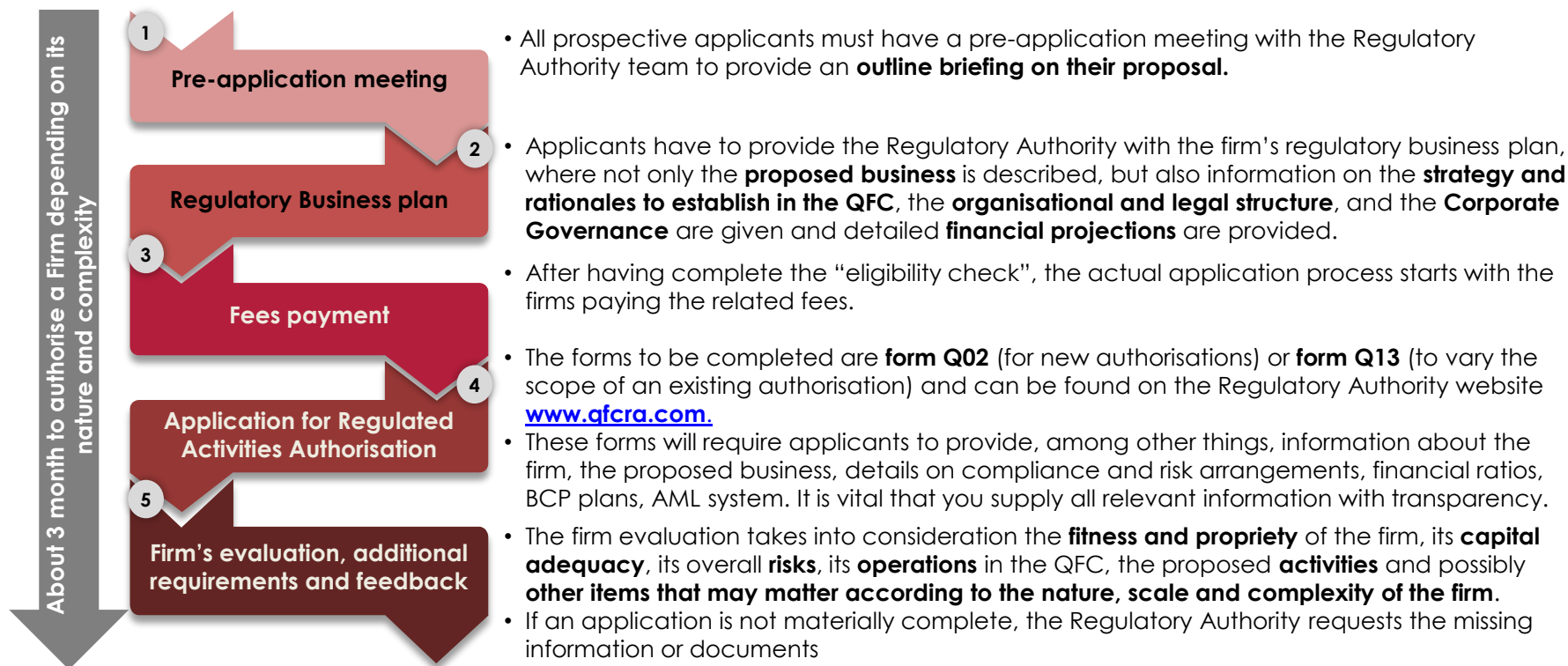
All INMA firms operating in the QFC are required to be established under the CRO, licensed by the QFCA and authorised by the Regulatory Authority to carry on any regulated activity in the QFC. Firms seeking to establish QFC schemes will also need to apply to register the scheme



The Firm authorisation process (1/2)

How to establish a QFC INMA Firm - Applying for QFCRA authorisation

- Before the Regulatory Authority can authorise a Firm, we need to be satisfied that it **meets our fit and proper rules and it is likely to be able to do so on an ongoing basis**. Generally, Fit and Proper means the ability to carry out a Financial Service competently, with honesty and integrity.
- The authorisation process to conduct regulated activities follows the following steps:

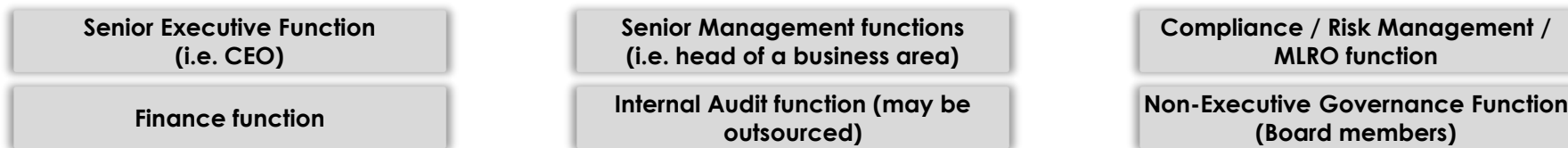


At the end of the process, the Regulatory Authority issues the "scope of authorisation", published online, where features of the institution are detailed and permitted activities and specified products are listed.

The Firm authorisation process (2/2)

Applying for approval of Individuals of a Firm

- Firms seeking authorisation will be required to appoint individuals to perform certain key functions on its behalf (“**controlled functions**”).
- Individuals carrying out controlled functions on behalf of the applicant Firm must be approved by the Regulatory Authority as approved individuals.
- Controlled functions are:



Main requirements for an Individual to be eligible as controlled function:

COMPETENCIES

- The firm must take into consideration the requirements for the specific function within the Firm and make an assessment of the individual competencies (**skills, qualifications, knowledge and experience**), to be sent to the Regulatory Authority.

FITNESS AND PROPRIETY

- The firm must take into account the individual's **honesty, integrity, reputation and financial soundness** (considering, e.g., legal proceedings, investigations or disciplinary actions taken, dismissals, involvement in liquidated business, complaints against the individual, etc.)

Applying for Individual approval with the Regulatory Authority

- The firm must complete and submit to the Regulatory Authority Form Q03, which is available to download from the Regulatory Authority website www.qfcra.com.

Application

- Firm's assessment of competencies;
- Job description / Contact details;
- Employment history and qualifications (i.e. CV);
- Past financial and disciplinary history.

Required information

The Scheme registration process

How to establish a QFC scheme - Registration of schemes in QFC

- QFC Firms authorised to operate a CIS and equivalent foreign firms regulated in a jurisdiction recognised by the QFCRA as having an equivalent regulation can register QFC funds.
- Schemes established in the QFC must be registered under COLL or PRIV rules.
- The operator of a scheme established in the QFC may apply to the Regulatory Authority for registration of the scheme as a retail, qualified investor or private placement scheme⁽¹⁾.
- Firms must complete either **form Q18A** or **form Q18B** that can be found on the Regulatory Authority website www.qfcra.com/forms . The main information required for the scheme registration application are the following⁽²⁾:

Type of information	Area	Detailed requirement
Entities information	Operator information	<ul style="list-style-type: none"> • Name & registration number • Regulated activities
	Independent entity information (not required for PRIV schemes)	<ul style="list-style-type: none"> • Name & registration number • Regulated activities • Demonstration of independence • Agreement between the operator and the independent entity
Funds information	Collective Investment Scheme	<ul style="list-style-type: none"> • Proposed name • Legal structure & details of registered address, directors, etc. • Details of investment objectives and policies (for each sub-fund in case of umbrella schemes) • Details on the fund structure (where applicable): share classes, initial offer, duration, outsourcing, distribution policy, currency, etc. • Details of auditor and applicable accounting standards • Incorporation documents • Prospectus • Constitutional document
Islamic funds information	Operator information	<ul style="list-style-type: none"> • Details of Sharia 'a board members • Confirmation of Sharia 'a approval of documents • Details of Operators' controls to ensure Sharia 'a compliance

(1) If the applicant does not comply with the requirements, the Regulatory Authority may refuse to consider the application.

(2) The Regulatory Authority may require the applicant to give additional information or documents that the Authority reasonably needs to decide on the application.

Fees structure

Fees structure

- Application and annual **fees vary according to the Investment Management service to be provided.**
- Fees are paid in USD in advance.
- The table below highlights the fees applicable to operators and schemes:

Type of fee	Fee amount (USD)
Firm authorisation application fee	\$ 10,000
Operator annual authorisation fee	\$ 10,000 + \$ 500 per approved individual
Scheme registration application fee	\$ 2,000
Registered scheme annual fee per fund	\$ 2,000
Umbrella scheme and sub-schemes (authorisation and annual)	\$ 2,000 – \$10,000
Application fee for approval of individuals	\$ 500 per individual



The QFC Collective Investment Scheme regime in a nutshell

Getting help and Contacts



Getting help and Contacts

The Regulatory Authority has published all the relevant rulebooks, which are available on its website.

For more information, enquiries and for showing interest in joining the QFC, the Investment Management team can be directly contacted.



Getting help and Contacts

Relevant rules and contact details for Investment Management and Advisory firms

Getting help

- **QFCRA Rulebooks** are available on the QFCRA website.
- Prior to preparing your Regulatory Business Plan and application forms, all pre-applicants should, at a minimum, read the General (**GENE**), the Conduct (**COND**) and the Investment Management (**INMA**) Rulebooks.
- For applicants applying to operating a scheme, Collective Investment Schemes (**COLL**) and Private Placement Schemes (**PRIV**) are the relevant Rulebooks.
- The Applicant should discuss its **business proposals** with the QFCA and the QFC Regulatory Authority and read the **application process** section **before starting the application**.
- Be **comprehensive**. The more information provided about the Applicant, its business, its employees, operations and processes when submitting the application, the faster the application can be processed.
- Submit the signed Application Form and pay the application fee at the same time. Unsigned or unpaid applications are considered materially incomplete and may be returned.
- Link to the forms to be completed and further detailed guidance on the completion of application forms, application fees, the submission of applications and the timing of application processing can be found in the "**How to apply**" section on the Regulatory Authority website at www.qfcra.com.

Contacts

- The Regulatory Authority would be glad to hold a pre-application meeting to analyse an applicant's proposed regulated activities and to answer any questions in respect of the authorisation process.
- Prospective applicants may contact the Regulatory Authority **Investment Management – Supervision and Authorisation Team** at the **+974 - 4495 – 6888** or by e-mail **investmentmanagement@qfcra.com**.

