



qatar

FINANCIAL CENTRE

REGULATORY AUTHORITY

A Guide for Insurance Intermediaries

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Chapter 1

The QFC Regulatory Authority

The QFC Regulatory Authority (Regulatory Authority) is the independent regulatory body of the Qatar Financial Centre (QFC) established to regulate firms that conduct financial services in or from the QFC. It has a broad range of regulatory powers to authorise, supervise and when necessary, discipline firms and individuals. The Regulatory Authority regulates firms using principle based legislation of international standard, modelled closely on the laws used in other major financial centres.

Chapter 2

Introduction and Disclaimer

Insurance intermediaries play a key role in the placement and administration of an insurance contract. The Regulatory Authority recognises the role of insurance intermediaries at all stages of an insurance contract and in particular expects the intermediary to educate the consumer of the benefits of insurance as well as advise the consumer of the right policy that would afford the best protection to the consumer in a manner that is fair and not misleading. The Regulatory Authority also expects that the standard of the insurance market within Qatar will be raised based on the quality and type of services offered by the insurance intermediaries to their clients.

The activity of insurance mediation is a regulated activity under the Regulatory Authority rules, as the intermediaries will be arranging and/or advising clients on contracts of insurance and therefore all insurance intermediaries must be authorised by the Regulatory Authority in order that they can conduct insurance mediation within the QFC.

The purpose of this document is to guide insurance brokers/intermediaries (“**Insurance Intermediaries**”) through the various Rulebooks issued by the Regulatory Authority that have particular impact on Insurance Intermediaries. The Regulatory Authority does not make any warranty or assume any legal liability for the accuracy or completeness of the information. This document is intended only to provide a brief outline and no reader should act on the basis of any matter or information contained in this document without first consulting the relevant law and associated materials or obtaining legal advice.

Chapter 3

Prudential Requirements

Prudential – Insurance Rulebook (PINS)

PINS Rulebook sets out the Regulatory Authority’s prudential requirements for all Insurers, but not Insurance Intermediaries. The rules relating to intermediaries were previously drafted within the Prudential Investment, Insurance Mediation and Banking Business Rulebook (PIIB), as noted below.

Prudential Investment, Insurance Mediation and Banking Business Rulebook (PIIB)

PIIB Rulebook applies to any Authorised Firm conducting specific types of business related generally to banking or investment including Insurance Intermediaries’ activities.

Why does PIIB apply to Insurance Intermediaries’ activities?

The Financial Services Regulations definitions¹ of ‘Dealing in Investments’, ‘Arranging Deals in Investments’, and ‘Advising on Investments’, **include activities involving Contracts of Insurance**. So for example an Authorised Firm that wished to provide *advice* on Contracts of Insurance needs to be licensed to conduct ‘Advising on Investments’, further an Authorised Firm that wished to engage in the activity of making *arrangements* for the selling of Contract of Insurance needs to be licensed to conduct ‘Arranging Deals in Investments’.

PIIB Category?

Under the PIIB, Authorised Firms are divided into PIIB categories² to provide a clear framework for determining which specific Rules in PIIB apply to the Authorised Firm. In most cases the business of Insurance Intermediaries is categorised under the PIIB as *PIIB category 4*, as the Insurance Intermediary will be arranging deals on Contracts of Insurance, or advising clients on Contracts of Insurance. The various PIIB categories are noted in section 1.3 of PIIB.

In some cases, the Insurance Intermediaries may also be dealing in contracts of insurance (i.e. Dealing in Investments) as an agent. In such cases, the Insurance Intermediaries may be categorised as *PIIB category 3*.

¹ As outlined in Schedule 3 Part 2 of the Financial Services Regulations. These defined specified activities apply to Specified Products which includes a contract for insurance see Schedule 3 Part 3.

² Based upon the types of Regulated Activities they provide.

Which PIIB Rules apply to each PIIB Category?

PIIB provides a table in section 1.6 summarising the application of the PIIB to each Authorised Firm based on their PIIB Category.

Base Capital Requirement?

An Authorised Firm must have, at all times, Capital Resources of at least the amount of its Capital Requirement. An Authorised Firm's Capital Requirement (PIIB 3 or 4 and does not provide custodial services to Collective Investment Funds) is:

- PIIB Category 4 - US\$ 250,000
- PIIB Category 3 - US\$ 500,000

This is the Base Capital Requirement. Even though an Authorised Firm may satisfy its Capital Requirement, this is no guarantee that the financial resources of the Authorised Firm are sufficient. Additional financial resources maybe required by the Authorised Firm when its Governing Body considers that the Capital Requirement does not adequately reflect the nature and risks of the Authorised Firm's business.

Acceptable Capital and Limits on the use of different forms of capital?

Chapter 2 of the PIIB also provides detail on what is acceptable as capital and the limits on the use of different forms of capital.

QFC prudential returns?

Appendix 7 of the PIIB provides Rules and guidance in respect of the preparation and submission of the QFC prudential returns to the Regulatory Authority. Please note that the Regulatory Authority may require additional returns / submissions, as appropriate, over and above those listed in the appendix. Forms Q300 apply to insurance intermediaries.

Chapter 4

Other Applicable Rulebooks

ASSETS RULEBOOK (ASET)

The ASET Rulebook sets out the requirements applicable to Authorised Firms in relation to the proper safeguarding of money and other assets belonging to clients.

Key areas of interest

Authorised Firms conducting Insurance Mediation Business should familiarise themselves with Chapters 1, 6, & 7 of this rulebook.

Chapter 6: Mandates of Client Accounts

Where an Authorised Firm holds one or more Mandates, it must establish appropriate systems and controls in relation to those Mandates as outlined in this Chapter.

Chapter 7: Insurance Money

This Chapter relates to the treatment of Insurance Money and the segregation of such monies from the firm's own money. Examples of Insurance Money are outlined under the guidance heading at the end of Rule 7.3.1 of the ASET rulebook.

This section also refers to:

- the requirement for an auditor's report in respect of the insurance monies to be submitted to the Regulatory Authority; and
- the requirement for an Authorised Firm to maintain records, which demonstrates to its auditors and the Regulatory Authority its compliance with the requirements of Chapter 7 and also which enables the Authorised Firm to demonstrate and explain all entries of money held by the held in accordance with Chapter 7.

CONDUCT OF BUSINESS RULEBOOK (COND)

The COND Rulebook applies to all Authorised Firms and outlines rules regarding interactions with Clients and disclosure of information to Clients.

Key areas of interest

Authorised Firms conducting Insurance Mediation Business should familiarise themselves with Chapters 1, 2, 3, 4 and 5 of this rulebook.

Chapter 2: Obligations of all Authorised Firms

This Chapter sets out the general obligations on all Authorised Firms, including language of disclosure, client classification, conflicts, material interest, inducements and customer complaints.

Chapter 3: Financial Promotions

This Chapter sets out the general requirements for Financial Promotions, the content of Financial Promotions, internal review and approval of any Financial Promotion provided to Clients and withdrawal of a Financial Promotion and Record Keeping.

Chapter 4: Conduct of Investment Business

This Chapter applies to an Authorised Firm that conduct investment business in or from the QFC. You should familiarise yourself with the requirements relating to initial client contact, retail investment services, additional disclosure relating to packaged products, post contractual obligations and personal account transactions.

Chapter 5: Conduct of non-investment insurance mediation business

This Chapter applies to an Authorised Firm that is conducting insurance mediation business in relation to non-investment insurance contracts in or from the QFC. You should familiarise yourself with the section relating to status disclosure, advice to retail customer, product disclosures, post contractual obligations and record keeping requirements.

General Rulebook (GENE)

The GENE Rulebook applies to all Authorised Firms and Applicants where specified.

Key areas of interest

Authorised Firms conducting Insurance Mediation Business should familiarise themselves with all sections of this rulebook.

Chapter 2: Fitness and Propriety

In order to become and remain an Authorised Firm, a Person must be able to demonstrate to the Regulatory Authority's satisfaction both initially and on an ongoing basis that it satisfies the Fitness and Propriety criteria outlined in this Chapter. Further this Chapter specifies that firms licensed only to conduct *Arranging Deals in Investments* and/or *Advising on Investments* are not allowed to hold *Insurance Money*. The section notes what an Authorised Firm must do in the event it receives *Insurance Money*.

Chapter 3: Disclosure of Regulatory Status

This Chapter imposes the requirement on an Authorised Firm not to misrepresent its regulatory status expressly or by implication. There are requirements as to what types of business documents issued by the firm that must disclose "Authorised by the Qatar Financial Centre Regulatory Authority", communication with the Regulatory Authority, Complaints against the Regulatory Authority and Registers of Public Information.

Chapter 4: Notices to the Regulatory Authority

This Chapter lists under what circumstances or significant events an Authorised Firm must notify the Regulatory Authority. For example, the Regulatory Authority must be notified if there are any changes to a Firm's name or address; failure to satisfy fitness & propriety requirements; a significant breach of any rules or regulations; a significant failure in the Firm's systems and controls; discovery of evidence of fraud; granting or refusal of an application with another regulator; or other significant event.

Controls Rulebook (CTRL)

The CTRL Rulebook applies to all Authorised Firms in respect of the conduct of Regulated Activities in or from the QFC. The Chapter outlines requirements for maintaining proper systems and controls for various aspects of a Firm's operations.

Key areas of interest

Authorised Firms conducting Insurance Mediation Business should familiarise themselves with all sections of this rulebook.

Chapter 3: Allocation of Responsibilities

An Authorised Firm must allocate responsibility for all aspects of its business amongst the Senior Management so that all significant areas are subject to appropriate management and supervision. Roles and duties should be clear and written records of those duties retained by the Firm.

Chapter 4: Systems, Resources, Procedures and Controls

An Authorised Firm must take adequate steps to ensure that its systems, resources, procedures and controls are at all times appropriate to its business having regard to all relevant factors including the nature, scale and complexity of its business, the diversity of the business and the volume of transactions its Executes and the degree of risk associated with its operations. Such areas of relevance which are covered by these requirements are:

- Organisational: such as mapping out of reporting lines, procedures for reporting information to all relevant levels of the firm, segregation of duties
- Compliance: such as having a Compliance Officer appointed, monitoring and assessing the adequacy of the Firm's written compliance policies
- Risk Management and Risk Control: such as the establishment of a written risk management policy that identifies and assesses the key risks relating to a Firm's processes and systems, determining the Firm's risk tolerance to certain risks, arrangements for the management of risks
- Employees and Agents: such as review of employee suitability and appropriate training
- Business Plan: establishment of a written business plan that is updated on a periodic basis

- Business Continuity: establishment of a written Business Continuity Plan, and periodic testing of those procedures
- Anti Money Laundering: please refer to the AMLR section on the following page.
- Professional Indemnity Cover: please refer to section 4.10 of CTRL for the requirements relating to PI cover.

Chapter 5: Outsourcing

If an Authorised Firm outsources any of its functions or activities directly related to Regulated Activities to a third party provider/s it is not relieved of its regulatory obligations and remains responsible for compliance with applicable requirements in the QFC.

The Authorised Firm must take steps to mitigate any operational risk associated with outsourcing. An Authorised Firm must establish a written policy for the due diligence and approval for functions to be outsourced, including risk assessments and impacts for outsourcing the function, policies for entering into agreements with service providers, required contents of written Agreements with third party service provider, and procedures for monitoring the performance of service providers.

Anti Money Laundering Rulebook (AMLR)

The AMLR applies to every Person³ to whom the QFC's Anti Money Laundering Regulations (“**the AML Regulations**”) apply and to the same extent in relation to every such Person as the AML Regulations except to the extent that a provision of this AMLR provides for a narrower application. The AMLR outlines requirements for maintaining proper systems and controls to detect, prevent and report potential money laundering.

Key areas of interest

Authorised Firms conducting Insurance Mediation Business should familiarise themselves with all sections of this rulebook. In addition, the Firm should read the AML Regulations, which are available on the Regulatory Authority website.

Chapter 3: This Chapter outlines the Basic Principles and Objectives of Money Laundering Prevention and Compliance

Section 3.3: General Anti Money Laundering Compliance Requirements

A firm must establish and maintain anti money laundering policies, procedures, systems and controls to ensure compliance with AMLR, the AML Regulations, as well as Law No. 28 of 2002 of the State of Qatar. The Firm must be able to provide an audit trail of a transaction as well as procedures for reviewing the effectiveness of their anti money laundering systems.

Section 3.5 Appointment of Money Laundering Reporting Officer (MLRO)

An Authorised Firm must appoint an individual as the MLRO. In Individual Rulebook, Rule 2.2.2 that person must be resident in the State. The duties of the MLRO are noted in the Anti Money Laundering Regulations.

Section 3.8 Customer Identification Requirements

This section specifies, along with Appendix 1 of the AMLR, the requirements for the Firm to ensure that it has proper documentation of a customer's identity for the purposes of conducting 'Know Your Customer' checks.

Section 3.18 Employee Awareness and Training

An Authorised Firm must arrange for regular anti money laundering training for all employees to ensure that they are aware of the responsibilities of the MLRO; applicable AML legislation; the Firm's AML policies, procedures and controls, and other matters relevant to the AML function.

³ See definition of Relevant Person in Article 19 of the AML Regulations.

Chapter 5

Conclusion

For further information please visit the Regulatory Authority website at www.qfcra.com or contact the Regulatory Authority directly at:

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