

**QATAR FINANCIAL CENTRE  
REGULATORY AUTHORITY  
DOHA – QATAR**

**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT  
FOR THE YEAR ENDED  
DECEMBER 31, 2023**

**QATAR FINANCIAL CENTRE REGULATORY AUTHORITY**

**FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT**

For the year ended December 31, 2023

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RN: 432/JK/FY2024

## INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors of  
Qatar Financial Centre Regulatory Authority  
Doha, Qatar**

### **Report on the Audit of the Financial Statements**

#### **Opinion**

We have audited the financial statements of Qatar Financial Centre Regulatory Authority ("the Regulatory Authority"), which comprise the statement of financial position as at December 31, 2023, and the statement of comprehensive income, statement of changes in equity and statement of cash flows and notes to the financial statements, including a material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Regulatory Authority as at December 31, 2023, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS accounting standards).

#### **Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Regulatory Authority in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the other ethical requirements that are relevant to our audit of the Regulatory Authority's financial statements in State of Qatar, and we have fulfilled our other ethical responsibilities. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Other information**

The Board of Directors is responsible for the other information. The other information comprises the annual report but does not include the financial statements and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance or conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

## **INDEPENDENT AUDITOR'S REPORT (CONTINUED)**

### **Other information (continued)**

When we read the information of the annual report of the Regulatory Authority, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

### **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS accounting standards and the applicable provisions of Qatar Financial Centre Law No. 7 of 2005, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Regulatory Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Regulatory Authority or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Regulatory Authority's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken based on these financial statements.

As part of an audit in accordance with ISA's, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risk, and obtain audit evidence that is enough and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Regulatory Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Regulatory Authority to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

### Auditor's Responsibilities for the Audit of the Financial Statements (continued)

We communicate with *those charged with governance* regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

### Report on Other Legal and Regulatory Requirements

Further, we are also of the opinion that proper books of account were maintained by the Regulatory Authority. We have obtained all the information and explanations which we considered necessary for the purpose of our audit. To the best of our knowledge and belief and according to the information given to us, no contraventions of the applicable provisions of Qatar Financial Centre Law No. 7 of 2005 were committed during the year which would materially affect the Regulatory Authority's financial position or financial performance.

Doha, Qatar  
March 12, 2024

For Deloitte & Touche  
Qatar Branch



Joseph Khalife  
Partner  
License No. 433

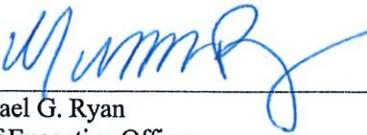
**QATAR FINANCIAL CENTRE REGULATORY AUTHORITY**

**STATEMENT OF FINANCIAL POSITION**

As at December 31, 2023

	Notes	December 31, 2023 USD'000	December 31, 2022 USD'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Furniture and equipment	4	679	90
Intangible assets	5	739	488
Right-of-use assets	6	1,859	1,111
Amount due from related parties	7	8,543	7,316
<b>Total non-current assets</b>		<u>11,820</u>	<u>9,005</u>
<b>Current assets</b>			
Accounts receivable and prepayments	7	7,616	4,996
Cash and cash equivalents	8	38,768	38,258
<b>Total current assets</b>		<u>46,384</u>	<u>43,254</u>
<b>TOTAL ASSETS</b>		<u>58,204</u>	<u>52,259</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
General reserve	9	26,660	24,512
Retained surplus	9	11,314	9,530
<b>Total equity</b>		<u>37,974</u>	<u>34,042</u>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Lease liabilities	6	1,063	50
Employees' end of service benefits	10	8,543	7,192
<b>Total non-current liabilities</b>		<u>9,606</u>	<u>7,242</u>
<b>Current liabilities</b>			
Lease liabilities	6	817	1,078
Accounts payable and accruals	11	9,807	9,897
<b>Total current liabilities</b>		<u>10,624</u>	<u>10,975</u>
<b>Total liabilities</b>		<u>20,230</u>	<u>18,217</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>58,204</u>	<u>52,259</u>

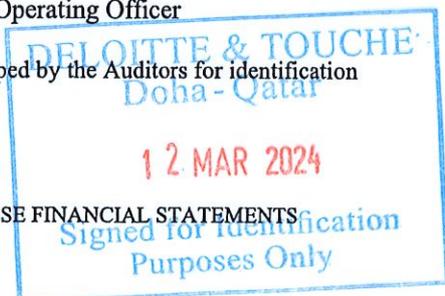
The financial statements of the Qatar Financial Centre Regulatory Authority for the year ended December 31, 2023 were approved by the Board of Directors on February 29, 2024 and signed on their behalf by:

  
 Michael G. Ryan  
 Chief Executive Officer

  
 Fatma Al Meer  
 Chief Financial Officer and Chief  
 Operating Officer

This statement has been prepared by the Regulatory Authority and stamped by the Auditors for identification purposes only.

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS



**QATAR FINANCIAL CENTRE REGULATORY AUTHORITY**

**STATEMENT OF COMPREHENSIVE INCOME**

For the year ended December 31, 2023

	Notes	<u>2023</u> USD'000	<u>2022</u> USD'000
<b>INCOME</b>			
Financial penalties	12	--	--
Fee income		1,469	1,554
Interest income		1,615	633
Other income		15	15
<b>Total income</b>		<u>3,099</u>	<u>2,202</u>
<b>EXPENSES</b>			
Salaries and other related costs		(35,878)	(33,079)
General and administration expenses	13	(4,975)	(4,996)
Board of Directors expenses		(879)	(897)
Loss allowance on financial assets	7	(5)	(7)
Finance cost on lease liabilities		(57)	(45)
<b>Total expenses</b>		<u>(41,794)</u>	<u>(39,024)</u>
<b>SHORTAGE OF INCOME OVER EXPENSES FOR THE YEAR BEFORE APPROPRIATIONS</b>		<b>(38,695)</b>	<b>(36,822)</b>
Appropriations from the Government	2	<u>45,623</u>	<u>42,227</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<u><u>6,928</u></u>	<u><u>5,405</u></u>

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**QATAR FINANCIAL CENTRE REGULATORY AUTHORITY**

**STATEMENT OF CHANGES IN EQUITY**

For the year ended December 31, 2023

	<b>General reserve</b>	<b>Retained surplus</b>	<b>Total equity</b>
	<b>USD'000</b>	<b>USD'000</b>	<b>USD'000</b>
Balance at January 1, 2022	22,043	9,394	31,437
Total comprehensive income for the year	--	5,405	5,405
Refund to Ministry of Finance	--	(2,800)	(2,800)
Transfer to general reserve	2,469	(2,469)	--
Balance at December 31, 2022	24,512	9,530	34,042
Total comprehensive income for the year	--	6,928	6,928
Refund to Ministry of Finance	--	(2,996)	(2,996)
Transfer to general reserve	2,148	(2,148)	--
<b>Balance at December 31, 2023</b>	<b>26,660</b>	<b>11,314</b>	<b>37,974</b>

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**QATAR FINANCIAL CENTRE REGULATORY AUTHORITY**

**STATEMENT OF CASH FLOWS**

For the year ended December 31, 2023

	Notes	2023 USD'000	2022 USD'000
<b>OPERATING ACTIVITIES</b>			
Shortage of income over expenses for the year before appropriations		(38,695)	(36,822)
<i>Adjustments for:</i>			
Depreciation of furniture and equipment	4	86	22
Depreciation of right-of-use assets	6	1,437	1,718
Amortisation of intangible assets	5	62	62
Loss allowance on financial assets	7	5	7
Provision for employees' end of service benefits		1,564	1,684
Intangible assets write off		--	50
(Gain)/Loss on Disposal of Furniture and Equipment		1	--
Interest income		(1,615)	(633)
Finance cost		57	45
		<u>(37,098)</u>	<u>(33,867)</u>
<i>Working capital changes:</i>			
Accounts receivable and prepayments		(1,791)	(2,004)
Accounts payable and accruals		471	723
Cash flows used in operating activities		<u>(38,418)</u>	<u>(35,148)</u>
Interest received		972	358
End of service benefit paid	10	(293)	(494)
Finance cost paid		(57)	(45)
<b>Net cash flows used in operating activities</b>		<u>(37,796)</u>	<u>(35,329)</u>
<b>INVESTING ACTIVITIES</b>			
Acquisition of furniture and equipment	4	(676)	(41)
Acquisition of intangible assets	5	(313)	(96)
<b>Net cash flows used in investing activities</b>		<u>(989)</u>	<u>(137)</u>
<b>FINANCING ACTIVITIES</b>			
Appropriations received from the Government	2	43,728	42,156
Repayment of lease liability	6	(1,432)	(1,741)
Repayment to the Ministry of Finance		(2,996)	(2,800)
<b>Net cash flows generated from financing activities</b>		<u>39,300</u>	<u>37,615</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>515</b>	<b>2,149</b>
Cash and cash equivalents at the beginning of the year		<u>38,341</u>	<u>36,192</u>
<b>CASH AND CASH EQUIVALENTS AT DECEMBER 31,</b>	<b>8</b>	<u><b>38,856</b></u>	<u><b>38,341</b></u>

This statement has been prepared by the Regulatory Authority and stamped by the Auditors for identification purposes only.



# **QATAR FINANCIAL CENTRE REGULATORY AUTHORITY**

## **NOTES TO THE FINANCIAL STATEMENTS**

For the year ended December 31, 2023

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### **1. GENERAL INFORMATION**

The Qatar Financial Centre (QFC) was established by the State of Qatar pursuant to Law No. 7 of 2005 to attract international financial institutions and multinational corporations to establish business in international banking, financial services, insurance, corporate head office functions and related activities within Qatar.

The Qatar Financial Centre is organised into four authorities: the QFC Authority (QFCA), the QFC Regulatory Authority (QFC Regulatory Authority), QFC Civil and Commercial Court (Court) and QFC Regulatory Tribunal (Tribunal). The QFCA, the QFC Regulatory Authority, the Court and Tribunal are independent of each other and the Government of Qatar.

The QFC Regulatory Authority, the independent regulatory body, regulates licenses and supervises financial services and other firms that conduct activities in, or from, the Qatar Financial Centre. The registered office of the QFC Regulatory Authority is located at P.O. Box 22989, Doha, State of Qatar.

These financial statements only relate to the income, expenses, assets and liabilities of the QFC Regulatory Authority and do not extend to include any other bodies of the QFC.

The financial statements of the QFC Regulatory Authority as of December 31, 2023, were approved and authorised for issue by the Board of Directors on February 29, 2024.

### **2. ECONOMIC DEPENDENCY**

The QFC Regulatory Authority is dependent on appropriations from the Government of the State of Qatar to fund its operating and capital expenditure.

During the year, the Government provided the QFC Regulatory Authority with appropriations amounting to USD 43,728 thousand (2022: USD 42,156 thousand), including appropriations received in advance of USD 2,239 thousand (2022: USD 2,677 thousand). After adjusting for the movement in appropriations received in advance and appropriations receivable of USD 8,927 thousand (2022: USD 7,469 thousand), USD 45,623 thousand was recognised in the statement of comprehensive income for the year ended December 31, 2023 (2022: USD 42,227 thousand).

As per Article 14 of Qatar Financial Centre Law No. 7 of 2005, the QFC Regulatory Authority has the right to retain any excess appropriations provided by the Government; these appropriations have been treated as part of retained surplus.

### **3. BASIS OF PREPARATION AND ACCOUNTING POLICIES**

#### **3.1 Basis of preparation**

##### **Statement of compliance**

The financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS accounting standards”) issued by the International Accounting Standards Board (“IASB”) and the applicable provisions of Qatar Financial Centre Law No. 7 of 2005.

# QATAR FINANCIAL CENTRE REGULATORY AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2023

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### 3. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

#### 3.1 Basis of preparation (continued)

##### Statement of compliance (continued)

The financial statements have been prepared on the historical cost basis.

The functional currency of the QFC Regulatory Authority is Qatari Riyals (“QAR”). However, these financial statements have been presented in United States Dollars (“USD”), which is the QFC Regulatory Authority’s presentation currency as QFC Regulatory Authority was established to authorise and regulate firms and individuals conducting financial services in or from the Qatar Financial Centre.

As the Qatari Riyal is pegged to the USD, the balances and transactions in Qatari Riyals have been translated to USD at the fixed exchange rate of 3.645 Qatari Riyals to USD and all financial information presented in USD has been rounded to the nearest thousand USD.

#### 3.2 Changes in accounting policies and disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended IFRS accounting standards recently issued by the IASB and International Financial Reporting Interpretations Committee (“IFRIC”) interpretations.

##### 3.2.1 New and amended IFRS accounting standards and interpretations that are effective for the current year

The following new and revised IFRS accounting standards, which became effective for annual periods beginning on or after January 1, 2023, have been adopted in these financial statements.

<b><u>New and revised IFRS</u></b>	<b><u>Effective for annual periods beginning on or after</u></b>
IFRS 17 Insurance Contracts	January 1, 2023
IFRS 17 requires insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 Insurance Contracts as at January 1, 2023.	
Amendments to IAS 1- Classification of Liabilities as Current or Non-current	January 1, 2023
Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)	January 1, 2023
Definition of Accounting Estimates (Amendments to IAS 8)	January 1, 2023
Amendments to IAS 12 Income taxes – Deferred tax related to assets and liabilities arising from a single transaction.	January 1, 2023
Amendments to IAS 12 Income Taxes —International Tax Reform—Pillar Two Model Rules	January 1, 2023

The application of these revised IFRSs has not had any material impact on the amounts reported for the current and prior years.

# QATAR FINANCIAL CENTRE REGULATORY AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2023

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### 3. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

#### 3.2 Changes in accounting policies and disclosures (continued)

##### 3.2.2 New and amended IFRS accounting standards in issue but not yet effective and not early adopted

The Regulatory Authority has not early adopted the following new and amended standards and interpretations that have been issued but are not yet effective.

<u>New and revised IFRS</u>	<u>Effective for annual periods beginning on or after</u>
Amendments to IAS 1 Presentation of Financial Statements Classification of Liabilities as Current or Non-current	January 1, 2024. Early application permitted
Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Available for optional adoption/ effective date deferred indefinitely
Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures—Supplier Finance Arrangements	January 1, 2024. Earlier application is permitted
Amendments to IAS 21 - Lack of Exchangeability	January 1, 2025. Earlier application is permitted
Amendments to IFRS 16 Leases: Amendments to clarify how a seller-lessee subsequently measures sale and leaseback transactions	January 1, 2024. Early application permitted

Management anticipates that these new standards, interpretations and amendments will be adopted in the QFC Regulatory Authority financial statements as and when they are applicable and adoption of these new standards, interpretations and amendments may have no material impact on the financial statements of the QFC Regulatory Authority in the period of initial application.

#### 3.3 Material accounting policies

##### Revenue recognition

*Fee income earned from services that are provided over a certain period of time*

Fee income earned for the provision of services over a period of time is accrued over that period. This includes annual license fees earned from regulated entities.

Fee income arising on application processing is non-refundable and, accordingly, is recognised as income when received.

##### Financial penalties

Under the Financial Services Regulations (FSR), the QFC Regulatory Authority has the power to impose financial penalties where it considers that a Person (as defined in the FSR) has contravened a relevant requirement set out in Article 84 (1) of the FSR. The principles to be followed by the QFC Regulatory Authority in determining the amount of any financial penalty to be imposed in respect of such contraventions are set out in the QFC Regulatory Authority's "Enforcement Policy Statement 2012". The financial penalties are accounted for when levied subject to the assessment related to the constraints attached to the variable consideration.

# QATAR FINANCIAL CENTRE REGULATORY AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2023

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### 3. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

#### 3.3 Material accounting policies (continued)

##### Interest income

Interest income is recognised on an accrual basis, using the effective interest rate method (EIR).

##### Appropriations from the Government

Appropriations from the Government are recognised at their fair value when there is a reasonable assurance that the appropriations will be received by the QFC Regulatory Authority and are recognised in the statement of comprehensive income over the period necessary to match them with the costs that they are intended to compensate. The excess appropriations provided by the Government are treated as appropriations received in advance under accounts payable and accrual and are carried forward to next year.

##### Furniture and equipment

Furniture and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Furniture and fixtures	3 years
Office equipment	3 years
Leasehold improvements	Lower of 3 years or lease period

##### Intangible assets

Intangible assets include the cost of purchased computer software and software developed in-house. Intangible assets acquired separately are measured on initial recognition at cost. Costs associated with the development of software for internal use are capitalised only if the design of the software is technically feasible, and the QFC Regulatory Authority has both the resources and intent to complete its development and ability to use it upon completion. In addition, costs are only capitalised if the asset can be separately identified, it is probable that the asset will generate future economic benefits, and that the development cost of the asset can be measured reliably.

Intangible assets are carried at cost less accumulated amortisation and impairment losses, if any. Those are amortised on a straight-line basis over a period of three years except for the extensible Business Reporting Language (XBRL) software and Microsoft Dynamics AX, which is amortised over a period of five years, commencing when the asset is available for its intended use. This expense is reported as general and administration expense in the statement of comprehensive income.

Subsequent expenditure is only capitalised when it increases the future economic benefits embodied in the specific asset to which it relates. Where no intangible asset can be recognised, development expenditure is charged to the statement of comprehensive income when incurred.

Expenditure on research or on the research phase of an internal project is recognised as an expense in the period in which it is incurred.

##### Leases

The QFC Regulatory Authority assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

**3. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)**

**3.3 Material accounting policies (continued)**

**Leases (continued)**

*QFC Regulatory Authority as a lessee*

The QFC Regulatory Authority applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The QFC Regulatory Authority recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

*i) Right-of-use assets*

The QFC Regulatory Authority recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Office space	3 years
Office equipment	3 years
Vehicles	3 years

If ownership of the leased asset transfers to the QFC Regulatory Authority at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment.

*ii) Lease liabilities*

At the commencement date of the lease, the QFC Regulatory Authority recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the QFC Regulatory Authority uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

*iii) Short-term leases and leases of low-value assets*

The QFC Regulatory Authority applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to the lease that is considered of low value (i.e., below USD 5,000). Lease payment on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

**3. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)**

**3.3 Material accounting policies (continued)**

**Impairment of non-financial assets**

The QFC Regulatory Authority assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the QFC Regulatory Authority estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets.

**Financial assets**

**Classification**

The QFC Regulatory Authority classifies its financial assets in the following measurement category:

- those to be measured at amortised cost

The classification is based on two criteria:

- The QFC Regulatory Authority's business model for managing the assets; and
- Whether the instruments' contractual cash flows represent "solely payments of principal and interest (profit) on the principal amount outstanding (the 'SPPI criterion')".

**Recognition and measurement**

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the QFC Regulatory Authority's business model for managing them. The QFC Regulatory Authority initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

**De-recognition**

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily de-recognised when:

- The rights to receive cash flows from the asset have expired, or
- The QFC Regulatory Authority has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the QFC Regulatory Authority has transferred substantially all the risks and rewards of the asset, or (b) the QFC Regulatory Authority has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

**Impairment of financial assets**

The QFC Regulatory Authority recognises an allowance for expected credit losses (ECLs) for all debt instruments. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the QFC Regulatory Authority expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

**3. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)**

**3.3 Material accounting policies (continued)**

**Financial liabilities**

*Initial recognition and measurement*

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The QFC Regulatory Authority's financial liabilities include finance lease obligation, accounts payable and accrued expenses.

*Subsequent measurement*

The subsequent measurement of financial liabilities depends on their classification as described below:

*Accounts payable and accruals*

Considering the short-term nature of these liabilities, accounts payable and accruals are recognised for amounts to be paid in the future for goods or services received without discounting, whether billed by the supplier or not.

*De-recognition*

A financial liability is de-recognised when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of comprehensive income.

**Cash and cash equivalents**

Cash and cash equivalents comprise bank balances and deposits with banks held for the purpose of meeting short-term cash commitments that are readily convertible to a known amount of cash and subject to insignificant risk of changes in value.

For the purpose of the statement of cash flows, cash and cash equivalents consist of bank balances and short-term deposits with a maturity of up to twelve months or less.

**Provisions**

Provisions are recognised when (a) the QFC Regulatory Authority has a present obligation (legal or constructive) as a result of a past event, (b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and (c) a reliable estimate can be made of the amount of the obligation. When the QFC Regulatory Authority expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of comprehensive income net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

# **QATAR FINANCIAL CENTRE REGULATORY AUTHORITY**

## **NOTES TO THE FINANCIAL STATEMENTS**

For the year ended December 31, 2023

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### **3. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)**

#### **3.3 Material accounting policies (continued)**

##### **Retirement benefit costs**

Consequent to the Council of Ministers Decision No. (11) of 2011, regarding the application of the provisions of the Retirement and Pension Law No. (24) of 2002 (“the Law”), for all Qatari employees of the QFC Regulatory Authority, the QFC Regulatory Authority was admitted to the pension fund operated by the General Retirement and Social Insurance Authority (GRSIA) on 26 January 2011.

Pursuant to the implementation of Law No. 1 of 2022 during the year by GRSIA, all Qatari employees must contribute 7%, and the QFC Regulatory Authority 14%, of an employee’s pensionable income. The QFC Regulatory Authority’s contribution is recognised as an expense in the statement of comprehensive income.

##### **Employees’ end of service benefits**

The QFC Regulatory Authority provides end of service benefits to its employees. The entitlement to these benefits is based upon the employee’s final salary and length of service, subject to the completion of a minimum service period from January 1, 2017. The maximum number of Qualifying Years of Service in respect of employees’ end of service benefit under this policy is 10 years and 20 years for Expat and Qatari Employees respectively. The end of service benefit is payable upon resignation or termination of the employee. The expected costs of these benefits are accrued over the period of employment.

##### **Foreign currencies**

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the settlement or reporting date. All differences are taken to the statement of comprehensive income.

**QATAR FINANCIAL CENTRE REGULATORY AUTHORITY**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2023

**4. FURNITURE AND EQUIPMENT**

	<b>Furniture and fixtures</b>	<b>Office Equipment</b>	<b>Work-in Progress</b>	<b>Leasehold improvements</b>	<b>Total</b>
	<b>USD'000</b>	<b>USD'000</b>	<b>USD'000</b>	<b>USD'000</b>	<b>USD'000</b>
<b>Cost:</b>					
At January 1, 2022	763	181	44	1,000	1,988
Additions during the year	40	1	--	--	41
Disposal/write-off during the year	(70)	--	--	--	(70)
Balance at December 31, 2022	733	182	44	1,000	1,959
Additions during the year	220	225	66	275	786
Transfers during the year	--	--	(110)	--	(110)
Disposal/write-off during the year	(662)	(130)	--	(1,000)	(1,792)
Balance at December 31, 2023	291	277	-	275	843
<b>Depreciation:</b>					
At January 1, 2022	760	157	--	1,000	1,917
Charge for the year	10	12	--	--	22
Relating to disposal/write-off	(70)	--	--	--	(70)
Balance at December 31, 2022	700	169	--	1,000	1,869
Charge for the year	36	27	--	23	86
Relating to disposal/write-off	(661)	(130)	--	(1,000)	(1,791)
At December 31, 2023	75	66	--	23	164
<b>Net carrying amounts:</b>					
<b>At December 31, 2023</b>	<b>216</b>	<b>211</b>	<b>--</b>	<b>252</b>	<b>679</b>
At December 31, 2022	33	13	44	--	90

**QATAR FINANCIAL CENTRE REGULATORY AUTHORITY**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2023

**5. INTANGIBLE ASSETS**

	<b>Computer software</b>	<b>Software development cost</b>	<b>Work in progress</b>	<b>Total</b>
	<b>USD' 000</b>	<b>USD' 000</b>	<b>USD' 000</b>	<b>USD' 000</b>
Cost:				
At January 1, 2022	620	2,677	380	3,677
Additions during the year	--	--	96	96
Write off	--	--	(50)	(50)
Balance at December 31, 2022	620	2,677	426	3,723
Addition during the year	--	160	215	375
Write off	--	--	(62)	(62)
Balance at December 31, 2023	620	2,837	579	4,036
Amortisation:				
At January 1, 2022	580	2,593	--	3,173
Charge for the year	20	42	--	62
Write off	--	--	--	--
Balance at December 31, 2022	600	2,635	--	3,235
Charge for the year	19	43	--	62
Write off	--	--	--	--
At December 31, 2023	619	2,678	--	3,297
<b>Net carrying amounts:</b>				
<b>December 31, 2023</b>	<b>1</b>	<b>159</b>	<b>579</b>	<b>739</b>
December 31, 2022	20	42	426	488

**6. LEASES**

**a) QFC Regulatory Authority as a lessee**

The QFC Regulatory Authority has lease contracts for office space, office equipment and vehicles used in its operations. Lease of office space, office equipment, and vehicles generally have lease terms of three years.

Set out below, are the carrying amounts of the QFC Regulatory Authority's right-of-use assets and lease liabilities and the movements during the year:

*Right-of-use assets*

	<b>Office equipment</b>	<b>Office space</b>	<b>Vehicles</b>	<b>Total</b>
	<b>USD'000</b>	<b>USD'000</b>	<b>USD'000</b>	<b>USD'000</b>
As at January 1, 2022	178	910	16	1,104
Additions	83	1,614	28	1,725
Depreciation expense	(102)	(1,583)	(33)	(1,718)
As at December 31, 2022	159	941	11	1,111
Additions	--	2,081	103	2,184
Depreciation expense	(109)	(1,294)	(33)	(1,436)
<b>As at December 31, 2023</b>	<b>50</b>	<b>1,728</b>	<b>81</b>	<b>1,859</b>

**QATAR FINANCIAL CENTRE REGULATORY AUTHORITY**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2023

**6. LEASES (CONTINUED)**

*Lease liabilities*

	<u>2023</u>	<u>2022</u>
	USD'000	USD'000
As at January 1,	1,128	1,144
Additions	2,184	1,725
Interest expense	57	45
Payments	<u>(1,489)</u>	<u>(1,786)</u>
<b>As at December 31,</b>	<b><u>1,880</u></b>	<b><u>1,128</u></b>

Presented in the statement of financial position as follows:

	<u>2023</u>	<u>2022</u>
	USD'000	USD'000
Current portion	817	1,078
Non-current portion	<u>1,063</u>	<u>50</u>
	<b><u>1,880</u></b>	<b><u>1,128</u></b>

The QFC Regulatory Authority recognised rent expense from short-term leases of USD 169 thousand for the year ended December 31, 2023 (December 31, 2022: USD 279 thousand). Refer note 13.

**7. ACCOUNTS RECEIVABLE AND PREPAYMENTS**

	<u>2023</u>	<u>2022</u>
	USD'000	USD'000
Amount due from related parties – current (Note 15)	5,965	4,151
Interest receivables	1,023	380
Prepaid expenses	608	416
Other receivables	<u>20</u>	<u>49</u>
	<b><u>7,616</u></b>	<b><u>4,996</u></b>

Amount due from related parties classified as follows:

	<u>2023</u>	<u>2022</u>
	USD'000	USD'000
Current portion	5,965	4,151
Non-current portion	<u>8,543</u>	<u>7,316</u>
Amount due from related parties* (Note 15)	<b><u>14,508</u></b>	<b><u>11,467</u></b>

\* Effective from January 1, 2017, the QFC Regulatory Authority resolved to recognise employee end of service benefit-related liabilities in the financial statements. As at December 31, 2023, USD 8,543 thousand (2022: USD 7,316 thousand) has been recognised as provision for employees' end of service benefits out of which Nil (2022: USD 45 thousand) that was accrued for in relation to employees seconded to the National Anti-Money Laundering and Terrorism Financing Committee ("NAMLC"). The same amount has been recognised as receivables from the Ministry of Finance based on a confirmation letter received to compensate the QFC Regulatory Authority for the payment of the end of service benefits.

# QATAR FINANCIAL CENTRE REGULATORY AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2023

### 8. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the statement of cash flows consist of the following:

	<u>2023</u>	<u>2022</u>
	USD'000	USD'000
Bank balances	6,263	6,843
Short-term deposits*	32,593	31,498
Cash and cash equivalents as per statement of cash flows	38,856	38,341
Less: provision for expected credit losses of short-term deposits	(88)	(83)
Cash and bank balances as per the statement of financial position	<u>38,768</u>	<u>38,258</u>

\* These represent deposits with banks held for the purpose of meeting short-term cash commitments, having annual interest rates up to 6.25% (2022: 5.50%) and original maturity of less than 3 months or more than 3 months with a callable option on demand.

The movement in the provision for expected credit losses of short-term deposits is as follows:

	<u>2023</u>	<u>2022</u>
	USD'000	USD'000
Balance as at January 1,	83	76
Charge for the year	5	7
Balance as at December 31,	<u>88</u>	<u>83</u>

### 9. EQUITY

Pursuant to the Article 14 of Law No. 7 of 2005, “any income surpluses (whether budgeted for or not) realized by the Regulatory Authority may be retained by it or returned to the State as the Regulatory Authority shall decide”.

Item 6 of schedule 1 of the Financial Services Regulations states that “any such surpluses of income over expenditure may also be applied to the repayment of any indebtedness incurred by the Regulatory Authority or to the creation of a general reserve and such other reserves as the Regulatory Authority may reasonably think fit”.

#### General reserve

In line with the above provisions, the Board of Directors in their meeting held on 29 February 2024, approved the transfer of USD 2,148 (2022: 2,469 thousand) from retained surplus to general reserve.

# QATAR FINANCIAL CENTRE REGULATORY AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2023

### 10. EMPLOYEES' END OF SERVICE BENEFITS

Movements in the provision recognised in the statement of financial position are as follows:

	<u>2023</u> USD'000	<u>2022</u> USD'000
Balance as at January 1,	7,316	6,114
Provided during the year (Note i)	1,572	1,696
Benefits paid during the year (Note i)	(345)	(494)
Benefits payable to resigned employees (note 11)	--	(124)
Balance as at December 31,	<u>8,543</u>	<u>7,192</u>

*Note (i)*

Provision during the year include an amount of USD 7 thousand (2022: USD 12 thousand) accrued for National Anti-Money Laundering and Terrorism Financing Committee ("NAMLC"). Benefits paid during the year includes an amount of USD 52 thousand (2022: Nil) in relation to employees seconded to the National Anti-Money Laundering and Terrorism Financing Committee ("NAMLC"). The amount paid was received from Qatar Central Bank during the year.

### 11. ACCOUNTS PAYABLE AND ACCRUALS

	<u>2023</u> USD'000	<u>2022</u> USD'000
Accounts payable	965	649
Accrued expenses	5,197	4,919
Government appropriations received in advance (Note 2)	2,395	2,862
Fees received in advance	1,250	1,302
Benefits payable to resigned employees (note 10)	--	124
Due to related parties	--	41
	<u>9,807</u>	<u>9,897</u>

### 12. FINANCIAL PENALTIES

Under the Financial Services Regulations (FSR), the QFC Regulatory Authority has the power to impose financial penalties where it considers that a Person (as defined in the FSR) has contravened a relevant requirement set out in Article 84 (1) of the FSR.

The Regulatory Authority imposed financial penalties and other related charges on certain firms and individuals of which USD 87,453 thousand (2022: USD 78,895 thousand) is outstanding as of December 31, 2023. QFC Regulatory Authority will recognise the financial penalty (and related income) as revenue when the constrains are resolved, see notes 3.3 and 19 (under "Variable Consideration"). In this connection, the Regulatory Authority recognized Nil amount during the year (2022: Nil) in the statement of comprehensive income.

**QATAR FINANCIAL CENTRE REGULATORY AUTHORITY**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2023

**13. GENERAL AND ADMINISTRATION EXPENSES**

	<u>2023</u>	<u>2022</u>
	USD'000	USD'000
Lease rental	169	279
Consultancy and professional fees	2,174	2,046
Amortisation of intangible assets (Note 5)	62	62
Depreciation of right-of-use asset (Note 6)	1,436	1,719
Depreciation of furniture and equipment (Note 4)	86	22
Other expenses	1,048	868
	<u>4,975</u>	<u>4,996</u>

**14. COMMITMENTS**

	<u>2023</u>	<u>2022</u>
	USD'000	USD'000
<b>Non-cancellable rental commitments</b>		
Within one year	797	173
After one year but not more than five years	1,230	--
	<u>2,027</u>	<u>173</u>
<b>Non-cancellable service commitments</b>		
Within one year	2,691	2,270
After one year but not more than five years	424	87
	<u>3,115</u>	<u>2,357</u>

**15. RELATED PARTY DISCLOSURES**

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties include other QFC bodies, associated government departments and ministries, directors and key management personnel of the QFC Regulatory Authority, and bodies of which they are principal owners. Pricing policies and terms of these transactions are approved by the QFC Regulatory Authority's management.

**Related party balances**

Balances with related parties are as follows:

**Amount due from**

	<u>2023</u>	<u>2022</u>
	USD'000	USD'000
Ministry of Finance (Note i)	14,275	11,049
Qatar Central Bank	103	90
QCSD	130	194
Prime Minister's Office	--	134
	<u>14,508</u>	<u>11,467</u>

**Amount due to**

	<u>2023</u>	<u>2022</u>
	USD'000	USD'000
Qatar Financial Centre Authority (Note 11)	--	41

# QATAR FINANCIAL CENTRE REGULATORY AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2023

### 15. RELATED PARTY DISCLOSURES (CONTINUED)

#### Related party transactions

The significant related party transactions are as follows:

	<u>2023</u> USD'000	<u>2022</u> USD'000
Appropriations from the Government	<u>43,728</u>	<u>42,156</u>
Services from QFCA	<u>1,326</u>	<u>2,073</u>
Services to a related party	<u>615</u>	<u>1,057</u>
Salaries and expenses paid on behalf of related parties	<u>2,211</u>	<u>2,225</u>

*Note (i)*

Amounts due from Ministry of Finance includes USD 5,347 thousand (2022: USD 3,579 thousand) relating to the payment of salaries and other expenses related to NAMLC.

#### Compensation of key management personnel

Key management personnel include the Board of Directors, Chief Executive Officer, Managing Directors, Chief Operating Officer and Chief Financial Officer. Key management personnel remuneration includes the following expenses:

	<u>2023</u> USD'000	<u>2022</u> USD'000
Short-term benefits	<u>6,300</u>	<u>5,180</u>

### 16. FINANCIAL RISK MANAGEMENT

The QFC Regulatory Authority's financial liabilities comprise accounts payable and lease liabilities. The main purpose of these financial liabilities is to finance the QFC Regulatory Authority's operations and to provide guarantees to support its operations. The QFC Regulatory Authority's financial assets include interest receivables, other receivables, financial penalties receivable, amounts due from related parties, bank balances and short-term deposits that derive directly from its operations.

The QFC Regulatory Authority is exposed to market risk, credit risk and liquidity risk. The management has overall responsibility for the establishment and oversight of the QFC Regulatory Authority's risk management framework. The QFC Regulatory Authority's risk management policies are established to identify and analyse the risks it faces, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the QFC Regulatory Authority's activities.

This note presents information about the QFC Regulatory Authority's exposure to each of the above risks. Further quantitative disclosures are included throughout these financial statements.

# QATAR FINANCIAL CENTRE REGULATORY AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2023

### 16. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### Market risk

Market risk is the risk that changes in market prices, such as interest rates and foreign currency exchange rates, will affect the profit or the value of the QFC Regulatory Authority's holdings of financial instruments. The objective of market risk management is to manage and control the market risk exposure within acceptable parameters, while optimising return.

#### *Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The QFC Regulatory Authority is not exposed to interest rate risk on its interest-bearing assets (bank deposits) as the interest rate on bank deposits is fixed. The statement of comprehensive income and equity is not sensitive to the effect of reasonable possible changes in interest rates, with all other variables held constant, as the QFC Regulatory Authority does not hold any floating rate financial assets or financial liabilities at the reporting date.

#### *Currency risk*

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The QFC Regulatory Authority's principal business is conducted in United States Dollars and Qatari Riyals. As the Qatari Riyal is pegged to the United States Dollar, there is considered to be minimal currency risk.

#### Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge its obligation. The QFC Regulatory Authority exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these financial assets as follows:

	<u>2023</u>	<u>2022</u>
	USD	USD
Bank balances including short-term deposits	<b>38,856</b>	38,341
Amount due from related parties	<b>14,508</b>	11,467
Interest receivables	<b>1,023</b>	377
Other receivables	<b>20</b>	49
	<u><b>54,407</b></u>	<u>50,234</u>

Credit risk in respect of bank balances is limited as the QFC Regulatory Authority deals only with highly reputable banks and other counterparties.

#### *Measurement and recognition of expected credit losses (ECL)*

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e., the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Regulatory Authority's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

# QATAR FINANCIAL CENTRE REGULATORY AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2023

### 16. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### Credit risk (continued)

##### *Measurement and recognition of expected credit losses (ECL) (continued)*

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Regulatory Authority in accordance with the contract and all the cash flows that the Regulatory Authority expects to receive, discounted at the original effective interest rate.

The QFC Regulatory Authority has applied the general approach to determine credit losses on terms deposits. The QFC Regulatory Authority has accounted expected credit losses on other receivables on lifetime ECL on the simplified general approach. Provision was made for expected credit losses on short-term deposits amounting to USD 5 thousand for the year ended December 31, 2023 (2022: USD 7 thousand).

#### Liquidity risk

Liquidity risk is the risk that the QFC Regulatory Authority is unable to meet its payment obligations associated with its financial liabilities that are settled by delivering cash or other financial assets when they fall due. The QFC Regulatory Authority limits its liquidity risk by securing appropriations from the Government to finance its operating and capital expenditure. The QFC Regulatory Authority's terms of services require amounts to be paid within 30 days of the date of service.

The table below summarises the maturity profile of the QFC Regulatory Authority's financial liabilities at December 31, based on contractual undiscounted payments.

December 31, 2023	Carrying amount	Contractual undiscounted cash flows	Less than 1 year	More than 1 year but less than 5 years
	USD	USD	USD	USD
Accounts payable	965	965	965	--
Lease liabilities	1,880	2,028	817	1,063
<b>Total</b>	<b>2,845</b>	<b>2,993</b>	<b>1,782</b>	<b>1,063</b>
December 31, 2022	Carrying amount	Contractual undiscounted cash flows	Less than 1 year	More than 1 year but less than 5 years
	USD	USD	USD	USD
Accounts payable	649	649	649	--
Lease liabilities	1,128	1,144	1,078	50
<b>Total</b>	<b>1,777</b>	<b>1,793</b>	<b>1,727</b>	<b>50</b>

### 17. FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments include financial assets and liabilities. The QFC Regulatory Authority does not have any financial assets or financial liabilities which are measured at fair value. The fair values of financial instruments are not materially different from their carrying values.

**18. SIGNIFICANT ASSUMPTIONS, ESTIMATES AND JUDGEMENTS**

The preparation of the QFC Regulatory Authority's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts recognised in the financial statements and certain disclosures. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in future periods.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described below.

*Useful lives of furniture and equipment and Rights of Use assets*

The QFC Regulatory Authority's management determines the estimated useful lives of its furniture and equipment for calculating depreciation. The estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual value and useful lives annually; future depreciation charge is adjusted where the management believes the useful lives differ from previous estimates.

*Useful lives of intangible assets*

The QFC Regulatory Authority's management determines the estimated useful lives of its intangible assets with finite lifetime for calculating amortisation. The estimate is determined after considering the expected usage of the intangible asset or technological obsolescence. Management reviews the useful lives annually; future amortisation charge is adjusted where the management believes the useful lives differ from previous estimates.

*Determining the lease term*

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). Potential future cash outflows have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated).

The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

*Leases - estimating the incremental borrowing rate*

The QFC Regulatory Authority cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the QFC Regulatory Authority would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the QFC Regulatory Authority "would have to pay", which requires estimation when no observable rates are available. The QFC Regulatory Authority estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

*Calculation of loss allowance*

When measuring ECL, the Regulatory Authority uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other. The Regulatory Authority uses estimates for the computation of loss rates.

**18. SIGNIFICANT ASSUMPTIONS, ESTIMATES AND JUDGEMENTS (CONTINUED)**

*Calculation of loss allowance (continued)*

Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

The Regulatory Authority has recognised a loss allowance of USD 5 thousand (2022: USD 7 thousand) against all financial assets.

*Variable consideration*

Amounts related to financial penalties are derived from enforcement actions taken by the QFC Regulatory Authority against the firms it supervises for issues of non-compliance with applicable rules and regulations (see note 3.3). The recovery of financial penalties (and related income) involves uncertainties related to amount (which may be appealed to the QFC Regulatory Tribunal) and timing of receipt of payment, which based on experience may involve filing of legal proceedings that may take a considerable time to conclude. The factors influencing the recovery of the financial penalty (and related income) is different for each case and the resolution of the constraints are beyond the control of the QFC Regulatory Authority. Accordingly, the related revenue is recognised when the constraints are resolved.