



QATAR FINANCIAL CENTRE

**REGULATORY
AUTHORITY**

A Guide to the QFC Collective Investment Schemes Regime





Disclaimer

The goal of the Qatar Financial Centre Regulatory Authority (Regulatory Authority) in producing this document is to provide a guide to the QFC Collective Investment Schemes regime, its framework, legislation and policies, including the authorisation, licensing and registration requirements.

The Regulatory Authority does not make any warranty or assume any legal liability for the accuracy or completeness of the information as it may apply to the particular circumstances of an individual or a firm. The information does not constitute legal advice and it is provided for information purposes only.

This guide to the collective investment schemes regime should be read in conjunction with the Financial Services Regulations and the Regulatory Authority Rulebooks and other relevant material. This material may be amended from time to time.

Log on to **www.qfcra.com** to read the full text of the QFC Law, Regulations and Rules that apply in the QFC.

Terms that appear in *italics* throughout this document are defined in the Interpretation and Application Rulebook (INAP) which is available through the Regulatory Authority website at

www.qfcra.com

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Introduction to the Qatar Financial Centre

The Qatar Financial Centre (QFC) is a financial and business centre established by the Government of Qatar and located in Doha, Qatar. The QFC has been designed to attract international financial services institutions and major multi-national corporations and to encourage participation in the growing market for financial services in Qatar and elsewhere in the region. One key part of this strategy is to establish Qatar as an asset management hub which provides an attractive environment for a wide range of related financial services activities in the Gulf region.

The QFC operates to international standards and provides a world class legal and business infrastructure for those doing business within the centre. The QFC's commercial and regulatory environment conforms to international best practices. The business standards and the legal environment will be familiar to businesses currently operating in major financial centres around the world.

The QFC is managed by the Qatar Financial Centre Authority (QFCA), which is responsible for the commercial strategy and business development of the centre and provides its administrative functions. Further information about the QFCA can be obtained from their website at www.qfc.com.qa. The regulatory framework has been developed by and is operated by the Regulatory Authority. There is also a QFC Tribunal that considers appeals arising from Regulatory Authority decisions, and a QFC Civil and Commercial Court that administers and enforces the commercial laws of the QFC.

The Regulatory Authority, the Tribunal and the Civil and Commercial Court have been established so as to operate transparently, objectively and fairly. Their decision-making, financing and operations are structured to ensure appropriate and resilient independence, whilst being fully supported by the Government of Qatar.

Finally, there is a QFC Companies Registration Office (CRO) which processes, for collective investment scheme purposes, applications to incorporate Limited Liability Companies (LLCs) and Limited Partnerships (LPs) within the QFC. Further details of the QFC legal and regulatory framework can be obtained from the Regulatory Authority website at www.qfcra.com

Introduction to the QFC collective investment scheme regime

The QFC has a world class regulatory framework that allows authorised firms to conduct a wide range of activities related to collective investment schemes (hereon referred to as schemes). To further develop the QFC as an asset management hub, the Regulatory Authority has recently undertaken a substantive review of the regulatory regime for schemes. This review has led to significant amendments to the rules, which commenced in January 2011, covering QFC schemes. The revised rules broaden the activities that may be undertaken and add a number of enhancements that will contribute to establishing the QFC as a vibrant asset management hub.

The new schemes regime, contained in the Collective Investment Schemes Rules 2010 (COLL) and the Private Placement Schemes Rules 2010 (PRIV), comply with international standards while providing for a diverse range of schemes that meets the needs of all categories of customers.

Types of scheme activity allowed in the QFC

The QFC provides scope for firms to conduct a wide range of activities related to asset management. Subject to obtaining the relevant authorisations from the Regulatory Authority (and where relevant, from overseas jurisdictions), firms can:

- operate (that is, establish and manage) both QFC and non-QFC schemes;
- provide custodial services for both QFC and non-QFC schemes;
- market and sell units in QFC and non-QFC schemes to both retail and qualified investors;
- manage investments for QFC and non-QFC schemes; and
- perform fund administration for schemes, whether QFC or non-QFC schemes.

Scheme vehicles

Schemes can be established in the QFC using one of the following legal forms:

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

The 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.

Each legal form has qualities that make it particularly suitable for different types of schemes. The only restriction in the QFC on the type of legal form that can be used is in relation to retail schemes established in the QFC, which must either take the form of a CIC or CIT.



Types of schemes

The QFC broadly divides schemes into two categories:

- **QFC schemes:** schemes established in the QFC and registered either under COLL or PRIV:
 - A. schemes registered under COLL can either be **qualified investor schemes** or **retail schemes**;
 - B. schemes registered under PRIV are **private placement schemes**; and
- **non-QFC schemes:** any scheme established outside the QFC, including schemes domiciled in the State of Qatar but outside the jurisdiction of the QFC.

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

- constitutional documents and prospectuses
- investor relations
- investments and borrowing
- dealing
- valuation and pricing
- functions and responsibilities of the operator and independent entity; and
- accounting and reporting obligations

In order to provide retail customers in Qatar with an internationally recognised and respected framework for retail schemes, the QFC retail regime is modelled on the European Union (EU) Directive for Undertakings for Collective Investment Schemes in Transferable Securities (UCITS). Having carefully reviewed a wide range of approaches, the Regulatory Authority believes that the UCITS model addresses the particular risks posed by retail asset management business in the QFC. It provides retail customers with a wide range of investment options that appropriately balance returns against risk while ensuring the investment remains liquid.

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

COLL provides for a range of scheme structures and fund types, including:

- umbrella schemes;
- Shari'a compliant schemes (Islamic funds);
- property funds (at this time restricted to qualified investors schemes, although the Regulatory Authority will continue to review whether retail property funds should be provided for in the QFC);
- money market funds; and
- feeder funds and funds of funds.

Private placement schemes are designed for more sophisticated investors and those wishing to participate in more specialised schemes, such as hedge funds and private equity funds. They may only be marketed to individuals who meet the definition of a qualified investor, that is, someone with the experience, knowledge and financial resources to manage the higher risk profile of these financial products. Private placement schemes, under PRIV, cannot be offered to the public and the number of unit holders cannot be over 100.

Both retail schemes and qualified investor schemes registered under COLL must be open-ended schemes. Private placement schemes may be established as either open or closed-ended. There are no minimum investment amounts in QFC schemes for investors.

The following table highlights some key features of QFC schemes

	Investors	Fund Vehicle	Rules Applying	Open or Closed-ended	Key Entities	Investment and borrowing restrictions
Retail scheme (UCITS type)	All	CIC or CIP	COLL COND	Open-ended	Operator Independent entity	<ul style="list-style-type: none"> • enforced diversification through required spreads and concentration limits • liquid investments • no real estate • borrowings restricted to 10% of the scheme's property by value
Qualified investor scheme	Only qualified investors	Any	COLL COND	Open-ended	Operator Independent entity	<ul style="list-style-type: none"> • no prescriptive requirements on spreads and concentration limits • less liquid investments allowed, including real estate property and commodities • borrowing allowed up to 100% of the scheme's property by value
Private placement scheme	Only qualified investors (up to 100)	Any	PRIV COND	Either	Operator Independent custodian	<ul style="list-style-type: none"> • no restrictions

Operating a QFC scheme

QFC schemes, including private placement schemes, may only be established and managed by a firm authorised in the QFC to 'operate a collective investment scheme'. Before an application for registration of a QFC scheme can be considered, the Regulatory Authority must be satisfied with the operator of the proposed scheme. The Regulatory Authority considers the operator to be the mind and management behind the establishment of the scheme, the entity that determines the legal form, investment policy and locations where the scheme will be sold. The operator will also, as applicable, select and appoint the administrator, independent entity, investment manager and distributor of the scheme.

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

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

Under COLL, both the operator and the independent entity may outsource their regulatory functions (although in most cases not to each other), subject to the outsourcing arrangements being governed by an appropriate outsourcing agreement. However, an operator may outsource certain scheme administration services to the scheme's independent entity (on these services, see the section on 'other activities' on page 13).

Operating a non-QFC scheme

Firms may also seek authorisation from the Regulatory Authority to operate non-QFC schemes, although this will be at the discretion of the Regulatory Authority. Operators would of course be subject to the requirements of the jurisdiction in which they were seeking to establish and manage the non-QFC fund. Non-QFC schemes largely fall outside the scope of COLL and PRIV.

The Regulatory Authority considers applications from authorised firms to operate non-QFC schemes in the same way as applications are considered from authorised firms to operate QFC registered schemes. This approach is tailored to provide for two different scenarios:

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

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

The Regulatory Authority, in considering applications to operate non-QFC schemes will have regard to the following matters:

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

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



Marketing and selling units in a scheme

The QFC offers a unique opportunity to market and sell units in schemes to retail and qualified customers. The flexibility provided by the QFC concept allows authorised firms to undertake these activities in a manner that provides them with the scope to market and sell schemes in the Qatari market and beyond.

This flexibility is supported by conduct of business requirements that are risk-based and pitched at an international standard. These requirements are located in the Conduct of Business Rulebook (COND) and are tailored to the different needs of customers based on their classification. COND provides the highest levels of protection to retail customers, who can expect:

- to be treated fairly;
- to receive financial promotions that are appropriate for retail customers and that are not misleading;
- to receive adequate information from firms on the firms themselves, the services they will provide and the products they offer to enable a retail customer to make an informed choice, which in the case of QFC retail schemes includes a Product Disclosure Document;
- to have an appropriate 'cooling-off' period for investment decisions; and
- to have complaints addressed in a timely manner.

These requirements also apply to those authorised firms wishing to market and sell units in non-QFC schemes in or from the QFC. However, only those non-QFC schemes that are specified by the Regulatory as retail schemes from reputable jurisdictions can be marketed and sold to retail customers. This ensures that the Regulatory Authority will retain robust controls over the marketing of non-QFC retail schemes based on acceptable jurisdictions (e.g. the EU UCITS regime) and types of schemes (e.g. established mass market retail schemes).



Once a jurisdiction and type of scheme have been specified as a non-QFC retail customer scheme (that is, acceptable for marketing in the QFC) by the Regulatory Authority, authorised firms seeking to market those schemes are required to meet the following requirements in COLL relating to:

- financial promotions, including rules covering written constitution and prospectus requirements;
- quarterly returns in relation to financial promotions and relevant investment activities (arranging, dealing and advising) for all non-QFC schemes; and
- maintaining facilities in the QFC (that is, a place of business) in relation to non-QFC retail scheme business, and requirements about information to be made available there, including documents such as the latest filed prospectus, pricing and redemption information and complaint arrangements.

It should also be noted that authorised firms seeking to market non-QFC retail schemes will need to request a change in their scope of authorisation in order to conduct this activity. In reviewing the change request, the Regulatory Authority will consider factors such as the firm's ability to comply with the requirements of COLL and COND and in particular its capacity to ensure a robust and compliant sales process.

Other activities

Aside from operating a scheme, providing custodial services and marketing and selling schemes, firms may also seek authorisation to conduct a range of other activities in the QFC relating to asset management for both QFC and non-QFC schemes. Of particular interest are the activities of providing administrative services for schemes and managing investments for schemes.

Providing administrative services covers a range of activities, including:

- processing dealing instructions, including effecting issues, redemptions and stock transfers, and arranging settlements;
- portfolio accounting;
- valuing assets and performing net asset value, and net asset value per unit, calculations;
- unit pricing;
- dividend calculation and distribution;
- keeping the register of unit holders and unit holder registration details;
- performing any regulatory requirements, e.g. anti-money laundering or combating terrorist financing requirements;
- undertaking transaction monitoring and reconciliation functions;
- producing financial statements, otherwise than as the scheme's auditor; and
- communicating with, and providing information to, the participants, the scheme, the operator, the independent entity, the Regulatory Authority and other persons in relation to the scheme.

Firms may also seek authorisation to carry on a range of activities relating to managing investments for schemes, in particular advising on investments, arranging deals on investments and managing investments. The specific requirements for firms who advise, arrange and manage in relation to investments are located in COND, which designates schemes as business customers for the purposes of COND.

To be authorised to conduct these activities in the QFC, a firm would also be required to hold minimum levels of capital as determined under the Interim-Prudential Investment Banking Rulebook, as well as a range of other requirements that generally apply to all firms authorised in the QFC, such as those relating to anti-money laundering obligations, systems and controls and key personnel.

Fee Structure

The table below highlights the fees applicable to operators and schemes.

	Fees (USD)
Operator authorisation application fee	\$ 10 000
Operator annual authorisation fee	\$ 10 000
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



The Application Process

All firms are required to be established under the Companies Registration Office, licensed in the QFC 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 level of detail required by the Regulatory Authority in connection with an application for authorisation or registration of a scheme will depend on the nature of the activity being proposed. For example, an application to operate a QFC retail scheme will require considerably more detail from a firm and detailed analysis by the Regulatory Authority than an application from a firm only seeking to manage investments relating to a scheme registered under PRIV.

As regards the process for the registration of a scheme, a streamlined application process has been developed which requires one single submission addressing the incorporation under the CRO, licensing from the QFCA, and registration of the scheme under PRIV or COLL by the Regulatory Authority.

Prospective Applicants (applicants) or existing authorised firms wishing to conduct activities in relation to a non-QFC collective investment scheme should complete Form Q02 'Application for Regulated Activities Authorisation' or Form Q13 'Application by an Authorised Firm to Vary the Scope or Withdraw its Authorisation'. These forms can be found on the Regulatory Authority website at:

<http://www.qfcra.com/forms/>

Applicants or existing authorised firms wishing to apply for authorisation to conduct regulated activities (including operating a collective investment) should complete Form Q02 or Form Q13. These forms will require applicants to provide, amongst other things:



- general information about the firm;
- a description of the proposed business;
- details of the firm's compliance arrangements;
- information on the firm's IT systems;
- financial information about the firm; and
- details regarding the firm's anti-money laundering systems and business continuity plans.

Applicants or existing authorised firms wishing to apply to register a scheme in the QFC should complete Form Q18 'Application for registration of a collective investment scheme'. This form should be completed by the proposed operator of the scheme and can be found on the Regulatory Authority website at:

<http://www.qfcra.com/forms/>

Forms Q02 and Q18 enable the Regulatory Authority to develop a greater understanding of the operator and its proposals and requires applicants to provide details on, amongst other things:

- the operators experience, expertise and track record;
- the operators ownership and control structure;
- financial information about the firm including its track record for assets under management and base capital;
- a description of the proposed scheme, its structure and objectives.

Applicants or existing authorised firms wishing to conduct activities in relation to a scheme (other than operating a scheme under COLL or PRIV) should complete Form Q02 or Form Q13.

Applying for approval of Approved Individuals of an Authorised Firm

Applicants seeking authorisation will be required to appoint individuals to perform certain key functions on its behalf (termed 'controlled functions'). Individuals carrying out controlled functions on behalf of the Applicant must be approved by the Regulatory Authority as approved individuals. The controlled functions are defined in the Individuals Rulebook (INDI), which is available through the Regulatory Authority website at www.qfcra.com.

Applicants applying for authorisation must ensure that individuals who will act as their approved individuals, complete and submit to the Regulatory Authority Form Q03, "Application for Approved Individuals", which is available to download from the Regulatory Authority website www.qfcra.com.

This Form will require individuals to provide information in relation to their:

- contact details;
- employment history;
- qualifications; and
- past financial and disciplinary history.



Pre-Application Meetings

Authorised Firms

Existing authorised firms should contact their Regulatory Authority Supervision contact to discuss their proposals.

Applicant Firms

The Regulatory Authority would expect to hold a pre-application meeting to discuss an applicant's proposed regulated activities and to answer any questions in respect of the authorisation process. The QFCA would additionally expect to discuss the applicant's proposed business prior to application and to answer any questions that the applicant might have in relation to the QFC.

Prospective applicants may contact the QFCA on **+974 - 4496 - 7777** and contact the Regulatory Authority Authorisation Team on **+974 - 4495 - 6888**.

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 'A Guide to the Application Process' on the Regulatory Authority website at www.qfcra.com/publication/guides.php





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