



THE QFC APPROACH TO THE AUTHORISATION OF BRANCHES

This policy statement provides a summary of the Regulatory Authority's approach when determining whether to allow an application from an applicant seeking to establish a branch entity, rather than a subsidiary, in order to conduct regulated activities in or from the Qatar Financial Centre ("QFC").

The Regulatory Authority's rules provide for an authorised firm to be established in the QFC as either an incorporated entity or a branch. While all firms need to meet the fitness and propriety criteria set out in the Financial Services Regulations and the General Rulebook, a branch application requires that certain additional criteria be addressed.

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

Jurisdiction reviews contain an analysis of the relevant jurisdiction's compliance with the Basel Core Principles or IAIS Insurance Core Principles, as applicable, together with consideration of any findings from the latest IMF and World Bank Financial Sector Assessment Program review and other resources. These reviews are updated on a regular basis and analyse the following considerations:

- the legal environment and financial services regulatory regime with regard to independence, stability, supervisory methods and standards, capacity to undertake consolidated prudential supervision and equivalence to the QFC;
- the political and economic environment;
- the laws governing Anti-Money Laundering, Combating Terrorist Financing, financial crime prevention and market abuse and their enforcement; and
- the insolvency regime and practice, particularly as it relates to the treatment of non-domestic creditors of foreign branches. (A branch can only be accepted from an applicant in a country that has a satisfactorily developed insolvency framework and which would not disadvantage creditors of a QFC branch. Where access to publicly available information is challenging, the applicant will be required to obtain a legal opinion on the insolvency regime concerned which confirms the treatment of foreign creditors in the case of an insolvency event.)

In addition, the Regulatory Authority considers the institution-specific factors described below:

- those fitness and propriety criteria which have a bearing on legal form including, inter alia, the legal status of the applicant, its group structure, location of offices, controllers, close links and other connections;
- the firm's business, its strategy and target market, the proposed QFC branch business and its scale (including the extent to which this is core to the business

conducted by the firm), focusing in particular on third party liabilities likely to arise from the proposed business model and the level to which the actual or potential liabilities would be covered by capital and, where applicable, deposit or investor protection, or professional indemnity insurance;

- for banking firms, the proposed liquidity management of the branch (including in stress scenarios);
- for insurance firms, the scope of approval in the home state. (Note that the Regulatory Authority does not permit the establishment of composite insurers in the QFC, nor will it permit branches of composite insurers in the QFC);
- current and past financial statements, the funding and projected revenues of the proposed QFC branch, as well as the legal obligation of its head office to meet the branch's liabilities, and whether a specific guarantee from the firm is needed;
- whether the capitalisation of the parent is sufficiently robust in form and at least equivalent to the requirements that would be imposed on a QFC-incorporated firm;
- the governance and operational structure of the applicant firm, its applicable systems and controls and oversight regime, as well as the plans for integration of the branch and its activities into the firm's overall systems, governance and risk management structure; and
- staffing proposals, branch organisation structure and reporting lines and confirmation of which branch personnel will be resident in Qatar, the residency of the Senior Executive Function ("SEF") being a prerequisite.

Depending on the nature, scale and complexity of the proposed branch, a risk assessment visit is undertaken to the applicant firm's head office or regional operational headquarters. This type of visit is generally required for PIIB Category 1 branch applications and PINS Direct Insurers. The costs of such visits are borne by the applicant by way of a supplementary application fee.

In all cases, the firm's home state regulator will be contacted to seek confirmation of its awareness of the application, its non-objection to it and any information that it feels should be brought to the Regulatory Authority's attention in its consideration of the application. The level of communication and information sharing available between the Regulatory Authority and the home country supervisor and confirmation of future cooperation is also essential.

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

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