

Part Two
Monetary Policy

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First: Definitions

- 1- **QCB** : Qatar Central Bank
- 2- **The bank** : Any bank licensed to conduct banking activities in the State of Qatar by virtue of provisions of decree law no. (33) of the year 2006, establishing Qatar Central Bank or of any other law effective at the time of license date.
- 3- **Public Debt Securities** : Government bonds and bills issued by virtue of Public Debt law no. (18) of the year 2002, concerning the public debt.
- 4- **Qatar Money Market Rates (QMR)** : An instrument of the monetary policy by which the bank is able to deposit at and borrow from QCB in compliance with conditions and controls set by QCB.
- 5- **Repurchase Operations (Repos)** : Operations conducted by QCB through repurchasing the public debt securities or other securities that are accepted at QCB, with the selling bank's commitment to repurchase those securities after a specific period, with a fixed interest rate defined by QCB (Repo Rate).
- 6- **QCB Rate** : The interest or return rate declared by QCB at the beginning of the daily transactions through the Qatar Money Market Rates (QMR).
- 7- **Repo Rate** : The interest or return rate declared by QCB on operations of repurchasing public debt securities.
- 8- **Deposits** : The total deposits of banks' customers in all types including the cash margins and certificates of deposit.
- 9- **Due Date** : The maturity date of operations of Qatar Money Market Rates (QMR) and Repos.
- 10- **Required Reserve** : A ratio of the total customers' deposits with banks that is held with QCB.

Second: Monetary Policy Instruments

1- Qatar Money Market Rates (QMR)

This instrument shall be applied as of January 2006, according to the following controls:

- QCB shall declare two interest rates; one for lending and the other for borrowing, using computers through the QCB-connect network.
- QCB Rate changes according to maturities ranging from one night to thirty days.
- QCB shall determine, for each bank, a ceiling for total lending and another one for total borrowing.
- All operations shall be conducted during the daily working hours, from 9:00 am. till 2:00 pm.
- The one-night operations shall be renewed automatically (rolled over) unless the bank determines another maturity.
- All overnight operations of multiple-day maturities shall be transferred into one-night operations at maturity unless the bank determines another maturity.
- If the due date of the QMR balance falls on an official holiday, it shall be extended to the next working day with the same interest rate.
- Interests or returns on the deposited or borrowed funds shall be recorded in the clearing account of the bank at the first of next Gregorian month.

2- Management of Public Debt Securities Repos

- Banks shall have the right to conduct Repo operations through Public Debt, Banking Affairs and Issuance Department in accordance with the ceilings identified by QCB; however, QCB shall have the right to accept or reject the Repo. For more information, you can contact head of Public Debt from 9:00 am. to 1:30 pm. as of 21 May 2007 on the following numbers: 4456427, 4456428, and Fax: 4430215.
- QCB shall declare the Repo rate through computers with QCB-connect network.

- The period of the Repo shall be from two weeks to one month.
- The operations shall be conducted during the daily working hours, from 9:00 am. to 1:30 pm.
- The operation period shall be extended to the next working day with the same interest rate of Repo, if it ends on an official holiday.
- The bank shall pay to QCB the contracted amount of the Repo, plus the interest or return, on the due date.
- Repos shall neither be renewed nor extended.
- QCB shall hold the public debt securities and other securities owned by the bank as a guarantee until it fulfills its obligations.
- The Repo shall not be conducted if the operation period ends after the due date of the public debt securities.
- ¹The due amount of the Repo shall be recorded in the clearing account at QCB, if the bank delays in paying off the due amount of the Repo. Thus, the bank would be fined with an interest or return rate equivalent to triple of the Repo rate. Additionally, the public debt securities shall be held till the due amount of the Repo is paid off.

3- Required Reserve Ratio

- ²Banks are committed to hold their required reserves at QCB, which are equivalent to 4.75% of their total deposits due from the banks, as of 15 April 2008. The percentage shall be calculated on basis of the average daily total deposits' balances during the period from the 16th of each month to the 12th of the following month.
- The amount of the required reserves approved by QCB shall come into effect from the 15th of each month to the 14th of the following month.
- Banks shall evaluate the deposits in foreign currencies by converting to Qatari Riyal according to the exchange rate of the last working day of each month.

¹ This is included in item no. (3) of page no. (380).

² Refer to circular no. (3/2008) dated 23 March 2008.

- Neither interest nor return shall be paid on the required reserve balance.
- Banks shall be committed to provide the Public Debt, Banking Affairs and Issuance Department at QCB, on the 13th of each month, with Statement no. (2) in Annex no. (1) page no. (416), signed by a senior officer at the bank, containing the daily balances of total and average deposits for the period mentioned in item no. (3) page no. (34).
- The Public Debt, Banking Affairs and Issuance Department shall ask for the due amount that each bank should hold as a required reserve in thousands of riyals (rounding up fractions) in accordance with the statement sent by the bank in the determined percentage. The bank should be notified on the 14th of each month.
- If any bank's balance somehow falls short, QCB shall impose a financial fine with a maximum of the QCB's interest rate quintuplet. The fine shall be calculated upon the amount of deficit in the required balance for every day that the deficit occurs or continues. The proceeds shall be recorded as revenues in the QCB's accounts as mentioned in Part Ten, Penalties and Financial Fines, in page no. (381).
- If a bank delays in providing the QCB with the data necessary to calculate the required reserve on time, the bank would be fined with a maximum of QR 5000 for each day of delay, as mentioned Part Ten, Penalties and Financial Fines, in page no. (381).

34- Issuing Certificates of Deposit

With reference to decree law no. (33) of the year 2006 and articles no. (33) & (34) concerning monetary policy and open-market operations, please find attached the decision no. (22/2008) concerning terms and conditions of issuing QCB's certificates of deposit.

These instructions shall come into force from the date of issuance (13 August 2008).

³ Refer to circular no. (99/2008) dated 13 August 2008.

Decision no. (22/2008)

Terms and Conditions of Issuing QCB 's Certificates of Deposit

In pursuance of decree law no. (33) of the year 2006, especially articles no. (33) and (34) concerning monetary policy and open-market operations, **we have decided the following:**

Article (1)

Definitions

In the application of the provisions of this decree, unless the context otherwise requires, the following words and phrases shall have the meanings hereby assigned to them:

Certificates of Deposit

Certificates of deposit issued by Qatar Central Bank (QCB) certifying that an amount of money has been deposited by a QCB-licensed bank at a fixed or variable interest rate for a specific period. At the maturity date, a certificate bearer receives the deposit principal and accumulated accrued interests.

QCB

Qatar Central Bank

Department

Department of Public Debt, Banking Affairs and Issuance at QCB

Issuance

Certificates of deposit issued by QCB to banks

Interest

Interest rate computed as a percentage ratio of nominal value. The interest rate is paid by QCB at the maturity date.

Base of Interest Calculating

Actual days divided by 360

Nominal Value

The apparent value shown on the face of a certificate of deposit without any interest or fees.

Optional Early Payment

QCB buys and cancels certificates of deposit whose owner desires to sell to QCB before the maturity date.

Working Days

Starting from Sunday to Thursday, except for official holidays decided by QCB.

Trading Date

Date when certificates of deposit are sold.

Settlement Date

Date when certificates of deposit are settled (i.e. paid and delivered).

Maturity Date

Due date when the nominal value is paid to the certificate bearer.

Fiduciary

QCB being entrusted to hold certificates of deposit on behalf of banks.

Ownership

Ownership documented in QCB records.

Secondary Market

Market where certificates of deposit are dealt with after issuance date up to the maturity date.

Article (2)

Issuance and Time Table

2/1 Certificates of deposit shall be issued to banks licensed by QCB on date determined by QCB from 9:00 am till 12:00 pm in Qatar local time.

2/2 Banks wishing to purchase certificates of deposit shall send SWIFT messages using "QCB-connect" via Department of Public Debt, Banking Affairs and Issuance.

Article (3)

Maturity

Certificates of deposit shall be issued for the following maturities:

- 1- One week
- 2- One month
- 3- Three months
- 4- Six months
- 5- Nine months
- 6- Twelve months

Article (4)

Interest

Certificates of deposit shall be issued on basis of a fixed or variable interest rate.

Article (5)

**Certificate's Formatting,
Par Value and Issuance Denomination**

Certificates of deposit shall be issued to the bearer and sold at its nominal value QR 1.000.000 at a minimum.

Article (6)

Payment Settlements

6/1 QCB shall deduct value of certificates of deposit allocated for each bank from the clearing accounts as of the issuance date. Every bank shall be informed of the value of certificates of deposit allocated to it.

6/2 Transactions of trading in certificates of deposit shall be conducted in the secondary market.

6/3 QCB shall pay value of certificates of deposit, on the maturity date, that equals to the nominal value plus the accrued interest.

Article (7)

Optional Early Sale of Certificates of Deposit

Banks wishing to sell certificates of deposit to QCB before the maturity date shall contact the Department to determine prices for certificates of deposit according to their maturities and interest rates minus a margin percentage determined in agreement with the Department. The accumulated interest for the past period shall be added to revenues gained from sale of certificates of deposit.

Article (8)

Fiduciary Accounts

QCB shall provide fiduciary accounts without return for purpose of holding certificates of deposit. The Department shall keep and update the related accounting records according to transactions conducted in the secondary market.

Article (9)

Conditions for Trading in Certificates of Deposit

Banks licensed by QCB may resell certificates of deposit to other banks licensed by QCB. Banks conducting trading transactions should then inform, on the settlement date, the

Department of all information related to trading using SWIFT messages before 12:00 pm in Qatar local timing. SWIFT messages should include instructions of payment and delivery/receipt.

Article (10)
Applicable Law

Qatari laws shall be applied to all affairs related to conflicts or disputes that may arise as a result from or related to certificates of deposit.

Article (11)
Subscription and Allocation

Tuesday shall be the subscription and allocation day for the certificates of deposit.

Article (12)

Banks that are not licensed by QCB and other companies may participate in the primary markets for purchasing certificates of deposit after obtaining approval of QCB's Superior Management.

Article (13)

QCB may collect fees on applications for statements of accounts, SWIFT messages, etc. The concerned department shall define the mentioned fees.

Article (14)
Amendments

QCB may solely make amendments to this decision. Amendments, that are notified to banks, shall come into force and be binding as of notification date.

Article (15)

Transfer of Certificates of Deposit into Treasury Bills

QCB may, when necessary, transfer certificates of deposit issued in coordination with, and with approval of, Ministry of Finance into government treasury bills with the same conditions and values after a formal notification.

Article (16)

The concerned department at QCB shall issue general regulations on issuing certificates of deposit. These regulations shall be attached with, and form an integral part of, this decision.

Article (17)

Decision Explanation

QCB Governor shall be the sole reference in the interpreting or clarifying the provisions of this decree.

Article (18)

This decision shall be notified, in Arabic, to all banks operating in Qatar and licensed by QCB.

Article (19)

Effectiveness Date and Scope of Application

This decision shall come into force as of issuance date and any provisions contradictory to the provisions of this decree shall be null and void.

General Regulations

- 1- **Sale and purchase price to develop the secondary market:** banks shall publicize the sale and purchase price for certificates of deposit on their own websites.
- 2- **Settlement:** Sale and purchase transactions of certificates of deposit shall be settled through QCB records according to financing against payment. The settlement shall be conducted within the same day (T+0).
- 3- QCB shall not prepare any reports on the sale and purchase transactions of certificates of deposit, except for large exchange transactions. QCB shall thus issue a report on the total circulating amount and average interest rate on a daily basis.
- 4- QCB shall not interfere in the secondary market for certificates of deposit. However, QCB would accept certificates of deposit as a guarantee, if QCB requests applications submitted by banks for obtaining credit facilities (loans) to meet the market requirements.
- 5- QCB shall not allow banks to use credit facilities obtained from QCB for purpose of financing the purchase of certificates of deposit.
- 6- QCB has the right to accept or reject any application without showing any reasons.
- 7- Subscriber should submit only one tender.
- 8- QCB shall not be responsible for any SWIFT messages of incorrect data and of delayed delivery.
- 9- Department of Public Debt, Banking Affairs and Issuance shall conduct and supervise transactions of subscription in the primary market.

Interest Rates or Returns on Qatari Riyal

Third: Interest Rates or Returns on Qatari Riyal

- Banks shall be free whether to apply, or not, the interest rates on all various types of customers' deposits.
- QCB rate shall be a guiding indicator in determining interest or return rates on the credit facilities in Qatari Riyal with exception of substandard, doubtful, and bad credit facilities, either scheduled or non-scheduled.
- Interest or return rates on credit facilities and deposits shall be calculated on basis that one year is 360 days.
- Interest or return rates on deposits, either in Qatari Riyal or foreign currencies, used as guarantees for loans, shall not exceed interest rates on those loans.
- Banks are not allowed to agree or co-ordinate to reach any prior arrangements for determining the interest or return rates on deposits or credit facilities. Rather, they should leave that to the supply and demand in the money market.
- All banks should announce the interest rates on deposits with their different maturities and the interest rates on all different types and maturities of credits. They should also announce the commission rates and expenses they collect for providing various credit facilities, and banking services through a noticeable announcement board, put in an obvious place in the bank and its branches.
- Periodical data of interest rates:

Banks should monthly notify the Financial Stability and Statistics Department at QCB of the average interest rates on the loans, deposits, and inter-bank transactions (Inter Bank Rates), as mentioned in Part Twelve, Periodical Data, in page no. (406).

Credit Classification by Economic Sectors**Fourth: Credit Classification by Economic Sectors**

Banks should classify the credit facilities, granted to customers, by economic sectors and by virtue of activities in table no. (1), annex no. (2). Additionally, banks shall monthly provide the Financial Stability and Statistics Department at QCB with these facilities in accordance with the following definitions. For more details, refer to Part Twelve, Periodical Data, in page no. (406).

1- Economic Sectors

Government :	All financially relevant ministries, bodies, and departments of the State.
Government Institutions :	Government wholly-owned and financially-independent institutions and organizations with their own budgets.
Semi-Government Institutions :	Institutions in which the government owns 50% or more of the shares.
Private Sector :	The entity that does not belong to any of the above mentioned three groups (government, government institutions, and semi-government institutions). These entities are owned by Qatari individuals or companies: either partially owned by a foreigner, or totally owned by a foreign investor.

2- Economic Activities**2/1 Industries**

Oil: All companies working on the field of exploring, extracting, producing and any other industrial activities related to oil or gas.

Transmutation Industries: Possesses of mechanical or chemical transmutation for the organic or non-organic materials in order to get new ones,

either automatically or manually. Some of the major industries are iron industries and iron gates, sanitary tools and ceramics, aluminum, bricks and marble, construction materials, gypsum, plastic industry, furniture and, wooden products.

2/2 Trade

All commercial transactions related to all retail or wholesale activities.

2/3 Services

Financial Services: All services offered by financial institutions and insurance companies and the intermediary and exchange companies.

Public Services: All public and private services offered by the government; such as education, health care and social services, or by the private sector; such as handicraft work, legal consultancies, sales and brokerage services, and other services like maintenance of petrol pipelines and gas distribution.

2/4 Contracting

All private and governmental contracting business; such as construction, maintenance, building roads, and water and electricity contracting.

2/5 Consumer loans

Personal loans for purpose of buying consumer goods.

2/6 Credit Card Facilities

Credit facilities granted to the customers through credit cards.

2/7 Real Estate Loans

Loans granted for purpose of buying or establishing the residential buildings and investment real estate.

2/8 Other Sectors and Activities

Any activity that has not been mentioned above.

Statistics of Balance of Payments

Fifth: Statistics of Balance of Payments

- All banks should provide the Financial Stability and Statistics Department at QCB with the data of balance of payments as mentioned in item no. (6/2) Part Twelve, Periodical Data, in page no. (407).
- QR 1000 delay fine per day of delay will be imposed in accordance with item no. (8) in Part Ten, Penalties and Financial Fines, in page no. (382).
- ⁴These instructions shall come into effect as of (5 January 2009).
- All banks should quarterly provide the Financial Stability and Statistics Department at QCB with statistics of the balance of payments within the 10 days following the end of the quarter starting from the first quarter of 2009. For more details, refer to Part Twelve, Periodical Data, in item no. (6/2) in page no. (407).

⁴ Refer to circular no. (1/2009) dated 5 January 2009.

Monthly Movement of Non-Performing Loans

Sixth: Monthly Movement of Non-Performing Loans

⁵All banks should monthly provide the Researches and Monetary Policies Department at QCB with details about the monthly movement of the non-performing loans by the credit facilities system according to the annex no. (14) page no. (468).

Accordingly, this questionnaire should be monthly filled in starting from December 2006.

⁵ The details include changes of addition or deduction resulting from repayment of installments, writing off debts or creating provisions.