Chapter Four

Relation with Customers
Relation with Customers

First: Customers' Investments

1- 204 Investment activity for customers

1/1 Investment business consists of the following:

- Investments for others: opening investment accounts and managing investment portfolios and mutual funds on behalf of the others whether individuals, institutions, or companies and any other entity as given by law or by norms, as an investment on behalf of others.
- Underwriting arrangement: arranging and marketing shares, bonds and other securities of different companies and projects.
- Financial intermediation: dealing in securities by selling, purchasing, property transferring and registering in the local and global money markets on agency basis according to law no. (14) of year 1995 on establishment of Qatar Exchange.
- Corporate finance arrangement: arranging the necessary financing structure for projects and for private and public institutions in order to obtain the finance.
- Investment consultancy: providing consultancy to investors, and conducting financial and economic studies for projects, institutions and companies.
- Custodian: providing securities custody services for local and foreign investors.
- Any other investment business as approved by QCB.

1/2 Organizational Instructions

- All documents and publications of the investment business must include the bank's name, address, license number issued by QCB and a note stating that these activities are licensed and supervised by QCB.
- The members of board of directors and the employees of the bank are not allowed to reveal any information concerning any customer except by a prior

204 Investment activities as per QCB Law: Investment for third parties, mediation and financial mandate, organizing public subscription, maintenance and trust services, contributing in the issuance of shares and other securities, managing portfolios and investment funds, trading in money and currency instruments, foreign exchange and precious metals, providing consultancy with regards to capital markets and services related to merging, purchasing, and selling of companies, and any other activities determined by the QCB.
written approval from the customer or according to article of law, or a judicial order or verdict. The aforementioned persons may not disclose such information even after the end of their services.

- If any bank wishes to cooperate with any company, institution or foreign bank to conduct investment business, it should be approved by QCB at first, and the type of the investment business and the legal relation between the two parties should be indicated.

1/3 Relation with Customers

- After QCB’s approval on conducting investment activity, banks must specify business hours to deal with the public.
- The publications and letters should contain the bank's name, address, phone numbers and other contacts.
- Banks have to find a suitable legal formula for their temporary and permanent relation with their customers in order to avoid any legal risks.
- Each bank should clarify, in writing, the risk types related to its customers’ investments in contracts and circulations.
- Each bank should provide its customers, at least once per month, with a statement of the balances of all investments, details of transactions and the realized profits or losses, in summary or in detail according to the prices in local or foreign markets, unless otherwise mentioned in the investment agreement between the bank and the customer.
- Each bank has to specify the commission charges to be received from the customers for performing investment business on behalf of them.
- Each bank has to keep all the related records and documents of the investment business in a proper place inside the State of Qatar for the period stated in the law issued by QCB.
- No bank is allowed to market, sell or purchase its shares for any of its customers.
- Each bank is prohibited to perform any investments based on the unfair advantage of its customers due to undisclosed or insider information.
- Each bank must declare to its customers and take their approval before making any investment operations contradicting their interests.
1/4 Internal Controls to Banks

- Banks should keep investment activity on behalf of others separate from underwriting arrangement activity.
- Banks should segregate the back office investment operations on behalf of others from the managers of investments for others.
- Bank’s investment activity for its own benefit must be separated from investment for others. Investment for others should be conducted by an independent department, or unit.
- All investment activities must be subject to the internal auditor's periodical supervision.
- All investment activities must be subject to the external auditor's supervision.
- Banks violating these instructions would be dealt in accordance with articles of the QCB Law.

2- Managing and Marketing Investment Portfolios and Accounts for Customers:

2/1 Definitions

**The bank**: Any bank licensed to practice banking and investment activities in Qatar according to the provisions of the QCB Law.

**The manager**: The bank that manages the portfolio or the investment account.

**Securities and Instruments**: All kinds of shares, bonds, securities and other financial instruments that are issued in financial and money markets inside and outside Qatar and all what is considered as securities and financial instruments by law or custom and as approved by QCB.

**The investor**: The normal or juridical person who owns the investment account or underwrites in the investment portfolios, managed or marketed by the bank.

**Investment account**: An investment account, for one or more investors, opened by the bank or the company upon a request from the investor and authority from him to manage.
his investments in that account in the areas he defines according to specific conditions and terms agreed upon in writing.

**Investment Portfolio:**

an investment pool issued by the bank or the company for investors to subscribe through purchasing shares with a particular value to invest their money either in available securities and financial instruments in financial and money markets inside and outside Qatar, or in real estate investments and different projects according to specific terms and conditions, stated in the prospectus issued by the bank or the company. The investment pool includes:

**Financial Portfolios:**

Portfolios invested in securities and financial instruments traded in the markets inside and outside Qatar.

**Specialized Portfolios:**

Portfolios invested directly in defined purpose projects that are offered by the portfolio manager for the investors. The portfolio period is limited to the duration of the project. The portfolio manager can issue a portfolio for establishing market, commercial mall or residential compound to market their units, as well as issuing a portfolio for financing or any other projects with an identified purpose.

**External portfolios and mutual funds:**

All kinds of investment portfolios mutual funds issued outside Qatar by licensed banks and foreign financial institutions, and are marketed by the bank for the investors inside Qatar.

---

2/2 Managing Investment Account

Banks and companies, wishing to manage investment account for investors, should be committed to the following rules and instructions:
2/2/1 Contractual Procedures

The manager has to sign contracts with investors, who own investment account, in order to regulate the relation between the two parties. The contracts should define and regulate the following issues:

- Limits to the authority delegated by the investor to the manager to manage his account.
- Investment areas and types of investment instruments allowed in managing the account.
- Determining the types of the investment operations confirming documents and whether they are in the name of the investors or the manager.
- Customer contact means, how to receive his instructions, and correspondence, and inform him with the deals made on his account, as well as the types of the periodical reports or statements that should be submitted to him and their submission dates.
- The commission paid to the manager for managing the account, and how it is calculated and collected.
- Ways of terminating the contract between the investor and the manager, the procedures of liquidating the account and the warning notice the two parties should consider.
- The contract should state, clearly that the investor is informed with all risks of his account's investments, in addition to his full liability to these investments and exempting the manager from any responsibility regarding the results of managing his investments unless negligence, infringement, or violation of the contract's conditions have occurred.

2/2/2 Administrative Procedures:

- The manager should keep the investment account's funds in an independent banking account in the names of their owners or in his name on behalf of them according to what has been agreed upon.
- The manager is permitted, on behalf of the investor, to practice all the rights resulting from the shares purchased for the investor's account within his investment account. That includes the voting rights in the companies' general assembly meetings in which investors own shares, provided that he has a written authority from the investor. If investor
wishes to enforce the rights of shares bought on his own account, the manager should enable him to do so, and that should be stated in the signed contract.

- The manager must keep separate accounting records for the investment accounts he manages. These records must include cash and investment accounts for every account, and the movement of each account according to the date, and the currencies used in the deals. Records should indicate the investment results relating to profits or losses, and the measures for separation between the different investments' accounts.

- Keeping all the documents that confirm to the accounting entries made in the investment account, in an organized way, to be easily retrieved.

- The investment accounts, managed through off balance sheet items should be recorded within the contra accounts and are to be disclosed together.

2/3 Issuing and Managing Investment Portfolios:

Banks may issue investment portfolios for managing customers' investment outside Qatar only in conformity with the instructions stated below. In case of investment inside Qatar or both inside and outside Qatar, issuing mutual funds should be in accordance with mutual funds law no. 25 of the year 2002 and its executive regulations.

2/3/1 Prospectus of Investment Portfolios:

A- The prospectus for the investment portfolios should cover all the rules and conditions that control the relation between the portfolio manager and investors and should, at least include what follows:

- Portfolio name.

- Purpose of issuing the portfolio and feasibility study results.

- Kinds of activity kind and location with a detailed description of that activity, the investment instruments dealt with and the countries and markets invested in.

- Portfolio maturity – whether open-ended or fixed. In case of portfolios for financing projects, the expected or objective period of the project must be stated.

- The capital size or the target amount to start the activity, and the capital limits, if they are variable during the portfolio duration, should be mentioned.
• The underwriting conditions and the value of the first underwriting units, the minimum and maximum underwriting limits for each investor should be determined.

• The maximum limit of units the portfolio manager can underwrite in, or buy.

• Kind of the currency(s) portfolio used in the investment.

• Rules and conditions of the early withdrawal, redemption and participation within the portfolio maturity, and the portfolio unit’s evaluation principles for that purpose.

• Policy and method of computing and allocating the return on the portfolio's investments and their due dates, if the portfolio policy permits allocating return.

• Commissions and fees the manager sets for managing the portfolio.

• Cases of the portfolio liquidation and the liquidation conditions and procedures.

• Types and volume of investment’s potential risk as well as polices and measures for managing them.

• It should be disclosed that portfolio’s guarantee is either the invested capital, or a minimum limit of return or a maximum limit of loss, and applicable policies and procedures to achieve this.

• Types and dates of reports and prospectus the manger issues about the portfolio business results and its units evaluation, must be determined, as well as the dates and types of the related notifications and letters to be sent to the investors.

• Any other important information and statements.

B- The subscription application signed by the investors who underwrite in the portfolio should mention that they have reviewed, and agreed on the contents of the prospectus; as well as admitting their responsibility of the portfolio's investments results whether profits or losses within the limits of underwritten shares, unless otherwise agreed on in the prospectus. The portfolio manager's responsibility is to comply with the conditions set in the prospectus or if any default or violation occurred.
C- With regards to the portfolios issued and managed by the bank or the institution in cooperation with foreign banks and financial institutions that should be disclosed in the prospectus. Each party's tasks, responsibilities and role in managing the portfolio should be indicated and stated in contracts signed by the manager and the foreign institution.

2/3/2 Financial Portfolios Regulations

- The manager must draw up certain policy to manage investment risk. The policy should include market risk and specify standards and ceilings to various transactions in order to limit the concentration and price volatility risks and to equilibrate the realization of the portfolio objectives with the commitment to the prospectus' requirements with regard to providing liquidity required for redeeming the portfolio's units.

- The manager should periodically disclose, each month at least, the market value of the portfolio units compared to the previous period. The new underwriting value and the units' redemption value according to the dates and conditions stated in the underwriting brochures should be determined. Also, the manager should include the ceiling for loss in the prospectus, which is deemed necessary for investors to be informed by the portfolio manager before the regular period specified for announcing the portfolio units' value. However that ceiling should not exceed 40% of the last market value announced for the portfolio.

- As for the portfolios in which the manager guarantees all or some of the underwritten capital or achieving a minimum return on the capital, the manager must utilize part of the portfolio's funds in guaranteed investments in the form of fixed deposits or bonds and financial instruments of particular value and return. As such it should cover said funds in addition to funds due from the guaranteed value return of the portfolio assets by retaining the units according to the related conditions stated in the prospectus.

2/3/3 Regulations for Specialized Portfolios:

- The manager must prepare comprehensive feasibility study on the economies of scale of the portfolio's project, its potential period and risks. Regarding the project financing portfolios, full information should be
provided on the financial and credit worthiness of the entities that require finance, in order to prove their ability to fulfill their commitments. Hence, the portfolio manager should consider the correctness and accuracy presented and no substantive information is concealed that may influence the investor decision.

- Full copy of the feasibility study and the prospectus should be delivered to investors who wish to subscribe in the portfolio. Contracts signed by investor should be presented to maintain their full awareness of the project feasibility study and its associated risks, their agreement on the conditions in the prospectus, and their full responsibility for the investment results except for any defaults or violation by the portfolio manager. Also the contract should include an absolute authority from the investors to the portfolio manager to manage the project according to the conditions stated in the prospectus.

- All official paper and documents supporting the project’s property should be kept and to have the name of the portfolio manager as an agent of the investors. It is not allowed to get into any other projects whose property documents cannot be registered in an official way.

- Investors should be periodically notified, as stated in the prospectus, with investment results, risks or sudden problems and measures taken.

2/4 Marketing Investment Mutual Funds and Portfolios for Others

2/4/1 Banks can market the units of investment in mutual funds and portfolios that are issued or established by the banks and financial institutions outside Qatar, provided that the following controls are complied with:

- Those banks and financial institutions have to be licensed to manage investments for others in their countries and establish investment mutual funds and portfolios. Copies of the supporting documents must be maintained.

- Checking the adequacy and experience of the financial institutions whose investment portfolios and mutual funds are being marketed. Newly audited copies of their financial statements should be annually obtained.

- Full copies of the mutual funds and portfolios' prospectuses which are being marketed and provided for the subscriber should be maintained. All information on the balance sheets of the managing financial institutions
must be provided, as well as any illustrations for the conditions mentioned in the prospectuses.

- The subscribers, either in the membership application or in the undertakings signed by them, must emphasize and confirm that they have received the underwriting prospectus and all the required information and illustrations from the bank or the company, as well as being acquainted with them, bearing the full responsibility, and understanding the role of the bank or the institution as a marketer of the fund's/ the portfolio's units without bearing any responsibility for the investment results.

- Signing contracts with the financial institutions, whose investment mutual funds or portfolios the bank or the company markets, in order to state the duties, responsibilities and rights of each party and the role of the bank in the intermediation between the investors and the portfolio/ fund manager, disclosing the same to the investors in writing.

- According to agreement with the portfolio manager and disclosure to the investors, proper documents to record all the data about the investors, underwritten units, and all necessary documents should be recorded and maintained.

2/4/2 Investment Products Marketing

QCB notices that some banks are marketing investment products for customers by incorporating changes in its name and characteristics to look as the bank's special product, which result in risks other than market risks. Banks should consider the difference between investment products marketing activity issued by other institutions and the activity of issuing and managing investment products by the bank. Banks should commit to transparency and avoid any conflict of interests upon marketing investment products by complying with the following:

- Upon marketing any investment product for third party whether the marketed units was in the name of the bank on behalf of the investor or directly in the name of the investor, the bank may not make any change on the name, characteristics, or conditions of the marketed product. The product prospectus made by the bank in Arabic should indicate the same characteristics, risks, and parties related to the product's management, integrity, and guarantee.
• If the bank purchases investment products for marketing purposes on behalf of customers, it should be in accordance with QCB’s instructions. Purchasing investment for the others should be carried out by an independent department separate from the investment department. This separate department should have the authority of taking decisions independent from the bank's investment decisions, particularly to purchase such products for marketing purpose, in such a way that the bank may not keep that part of the product that is not marketed within its own investments to avoid conflict of interests between the bank’s investment, investment for others, and any concerned party.

• The bank should not assume any liability resulting from marketing such products for the issuing party, through representative who shall market such products in Qatar whether through common committee, team work representing the issuer, or the representing office at the bank.

• No legal responsibility may be assumed from marketing such products upon the issuer or customers other than the banks normal marketing rule.

• If the products were marketed in the bank's name on behalf of customer, they should be included within the off-balance items under "investment for other activities" in the banks monthly statement submitted to QCB. The bank should disclose such activities and the banks' rule in marketing the products in its balance sheet.

The above-mentioned instructions are effective from February 2007.

2/5 Investment Mutual Funds

2/5/1 Licensing Procedures:

In accordance with law no. (25) of 2002 and its executive regulations on investment mutual funds, banks desiring to apply for a license from QCB to establish investment mutual funds, should adhere to the following procedures:

• While applying to QCB to establish investment funds, banks use the relevant form in annex no. (5), provide all information and attach all documents as required in the application form.
• If the bank was informed that the application was rejected, or that the period specified to review the application has expired without giving the bank a notice, according to article (3) of the executive regulations, the applicant bank for the license may write to QCB during the specified period under article (4) of the executive regulations.

2/5/2 Banks are not allowed to name the investment products offered in Qatar, as investment mutual funds unless it is licensed by QCB according to the provisions of law no. (25) of the year 2002 for investment mutual funds.

2/5/3 Financial Statements of Investment Funds

In accordance with article no. (8) of the law no. (25) for the year 2002 concerning investment funds; article no. (31) Executive regulations of the said law on QCB’s supervision on investment funds, and articles no. (26 - 29) of the Executive Regulations on the financial statements of the funds;

Founders and managers of investment funds must comply with the following, regarding issuing and publishing the financial statements and bulletins of the funds:

2/5/3/1 The audited annual financial report

• The audited annual financial reports of the fund should include the following financial data and information at a minimum, according to requirements of the International Accounting and Disclosure Standards:
  - The financial position and explanations of the fund
  - The income statement and explanations
  - Realized rates of return
  - Statement of cash flows
  - Statement of changes in asset value of investment documents' holders
  - Disclosures of the accounting policies and risk management
  - Report of the auditor.

• QCB must be provided with a copy of the audited annual financial report of the fund and the report of the auditor with the auditing
results (Management Letter) within at least one month before the publishing date set in the Executive Regulations (two months of the fiscal year end). The annual financial report may be issued and published if QCB does not furnish any comments during this period.

- The annual financial reports of the fund must be published in at least one local newspaper, unless the funds by-laws states that the statements should be published in more than one newspaper.
- When the fund launches its activities during the fiscal year and in conformity with its by-laws, the first financial period of the fund can be extended for more than twelve months and for a period not exceeding eighteen months, provided that QCB is notified.

2/5/3/2 Periodical statement

- The fund managers should periodically issue at least a quarterly financial statement according to the dates mentioned in the by-laws. The statement should include the financial position, income statement, changes in asset value of investment documents' holders, summary of the fund's activities, realized rates of return, and disclosure of the potential risk, provided that such financial statements have been reviewed by the fund's auditor.
- The investment documents' holders should be notified with the periodical financial statement by one of the disclosure methods defined in the by-laws.
- QCB should be provided with a copy of the periodical statement at least ten days before disclosure.

2/5/3/3 Assessment rates bulletin

- A bulletin of the fund units' assessment rates should be issued according to the dates defined in the by-laws. The bulletin of the subscription to the fund should also be periodically issued within periods not exceeding three months. The bulletin should include the previous unit rate as a minimum and the current rate whether
for redemption or subscription. Additionally, it should be reviewed by the fund auditor.

- Assessment rates shall be published in at least two local newspapers, one of which should be in Arabic and the other in English.

- QCB should be provided with a copy of the assessment bulletin after being reviewed by the fund auditor.

2/5/3/4 General provisions

The founder, fund manager and investment custodian, each should be committed to credibility, transparency and clarity towards the financial statements, reports, information, and publications released by the fund whether for the purpose of public disclosure to the document holders or for declaration to QCB.

2/5/4 205Liquidation and Termination of Investment Funds

In accordance with article (8) of the investment funds Law no (25) of the year 2002, article (31) and (32) of the executive regulations thereof concerning QCB’s supervision and control of investment funds, and articles from no (42:44) of the executive regulations regarding liquidation and termination of the fund;

Investment fund founders should abide by the following:

- Founders should inform QCB about any case of funds liquidation and termination prescribed in article (42) of the executive regulations of investment fund law no (25) of 2002. Founder has to notify QCB with the liquidation and termination procedures conducted and the assigned liquidator in accordance with the funds by-laws or agreement of investors. In case no relevant agreements or procedures are available, provisions of the commercial companies law no (5) of 2002 on liquidation of companies shall prevail, provided that no contradiction with the investment fund law and its executive regulation and by-laws.

---

• Founder, after termination order is issued by QCB, should disclose this order in the ministry of business and trade's funds register within one week as from the order is issued.

• Founder should publish funds termination order in two daily local newspaper at least, one of which in English, within at least two weeks as from the date the termination is issued. Such order may not be contested by third party before the registration and publish date. Founder should provide QCB with copy of the announcement published and the name of the newspaper.

• Liquidation procedure prescribed in article (42) and (43) of the executive regulations of the investment fund law no (25) should be adopted and QCB regulations stated in the termination order have to be complied with.

• Founder, after termination order is issued and during liquidation period, should provide QCB at least with a monthly report on the liquidation results, and the conducted procedures. In case founder assigns experts or specialized analysts, their reports should be submitted to QCB.

• After liquidation procedures come to an end, during maximum one month from the date liquidation procedures ended, founder should provide QCB with the full liquidator report on the procedures conducted, and the approved unit price to settle the unit holder rights. External auditor should be assigned to review the fund liquidation procedures and soundness and consistency of such procedures with Investment law no (25) of 2002 and its executive regulations, QCB regulations, and the fund's by-laws. QCB should be furnished with copy of this report within at least one month from the date the liquidation procedures ended and the unit holder rights settled.

• Founder, after maximum one month from the liquidation order is issued and announced, should provide QCB with the fund's audited financial statements as from the latest audited financial report until the date of liquidation.
2/6 Other Regulations and Instructions

Banks, that manage or market outside investment portfolios and mutual funds, must comply with the following:

- Arabic language must be the official language used in writing contracts signed with customers. Accordingly, the prospectus of investment portfolios whether managed or marketed by banks and issued in foreign language, must be attached with Arabic translation for the main points of investment in portfolio and the potential risks. The Arabic must be the original language in interpreting the articles of the contracts signed with customers, and original material is to be enclosed.

- If investment portfolios are issued by banks on Islamic basis, the manager should assign a Shariaa board or a Shariaa consultant to the portfolio to determine Shariaa rules that should be applied in managing the portfolio investments.

- None of the investors in the various investment portfolios is allowed by any means to interfere in managing the investment of the portfolio or to object to the portfolio manager’s decisions as long as he is complying with the conditions stated in the prospectus. The portfolio manager, on behalf of the investors, can exercise all the rights derived from the portfolio's assets, shares and securities, including attending and voting in the general assembly meetings of the companies whose shares the portfolio holds, and that should be disclosed in the portfolio's prospectus.

- The investment portfolio manager is not entitled to change any of the conditions stated in the prospectus unless a written approval from the underwriters is obtained.

- The investment portfolio manager shall keep the necessary accounting records to record all portfolio's investments and transactions on a regular basis and to show the investment results in accordance with what is agreed upon in the prospectus and according to the international accounting standards. Moreover all the documents supporting the portfolio's transactions accounting entries and the assets should be kept in an organized and safe way so as to be easily retrieved.

- The investment portfolio manager must make clear separation between his private accounts and the portfolio’s accounts in his records. The portfolio's
investment and funds in the hands of the others should be recorded in independent accounts in the portfolio name, record the portfolio balance outside his balance sheet within the contra accounts. All disclosures required by the international disclosure standards must be abided by.

- Banks must keep full personal data about the investors of investment portfolios and accounts managed or marketed for them, in organized records to be easily retrieved. Also they must keep copies of their personal identification cards as well as full information regarding their contacts and postal addresses. These should be applied in accordance with money laundering instructions, based on “know your customer” policy.

- Upon managing investment portfolios and accounts, banks should consider avoiding conflict of interests between their own activities and the activities of the portfolios and accounts they manage.

- The manager is not entitled to use the investment portfolios and accounts he manages as collateral against obtaining credit facilities from others or getting any other privileges and concessions for his activities.

- Investment portfolio may not borrow from the portfolio's manager itself, but it may borrow from others, provided it is mentioned in the prospectus.

- The manager can buy his own shares for the account of the investment portfolios and accounts managed by him provided that the total of such shares in all the investment portfolios and accounts managed by him, at any time does not exceed 5% of total local shares in the investment portfolios and accounts inside Qatar.

- The manager cannot participate in the investment portfolios he manages if their investments include his private shares. Also, no bank or company is allowed to participate in any investment portfolio or account in other banks or companies that involve investments in the bank's or the company's shares.

- Any bank managing or marketing investment portfolios or accounts must have specialized technical unit comprising staff equipped with all appropriate modern skills and techniques. Members of the staff should be highly qualified and experienced in administrative, executive and consulting affairs. Effective internal control systems should form part of the unit.

- Banks should provide investors with the name of its employee or the unit delegated to manage their investment portfolios and accounts. If that
employee or unit does not implement the investor’s instructions, or committed any mistakes or violated the conditions of the agreements signed with the investor, it shall be the bank/company’s responsibility to the investors.

- The Internal Auditing Department in the bank must periodically audit the managing/marketing investment portfolios and investment activities through auditing programs. Internal audit department should submit its reports and the auditing results directly to the board of directors who should check that the general administration has taken the necessary measures to deal with the violations and mistakes and to fix the accountability.

- Banks' general administration should directly receive the investors' complaints and carry out investigation. Necessary measures must be taken and investigation results should be reported to the board of directors.

2/7 Other Investments Issues

- The specified investment projects and accounts that the bank manages as an agent for the customers and bears their responsibilities according to agreements that define rights and obligations, should be independent from the bank's financial involvement. The bank will not bear any loss against such accounts which must be recorded in the regular accounts under off-balance sheet.

- Upon applying to QCB for offering, marketing products, or establishing mutual funds, the applicant should specify the name, the phone number of the contact person for reviewing the product or the mutual fund details.

2/8 Details of the Periodical Data for Investment Portfolios and Mutual Funds

Refer to page no. (568) of Periodical Data in Part Twelve.

2/9 Auditing Investment Portfolios and Mutual Funds

All banks that issue and manage investment portfolios or market investment mutual funds and portfolios for others should consider the following:

- Banks that issue and fully or partially manage or supervise investment portfolios:
  The bank's external auditor must be assigned to audit these investment portfolios, their financial position, and their performance results. Such auditor must give his opinions on the following: the soundness of accounting and legal measures of underwriting and redemption, portfolio activities,
circulation and evaluation of its investment units, the disclosed evaluation bulletins, distribution of profits, and matching profits to portfolios results according to agreement in prospectuses, and consistency with QCB’s instructions and international standards, and evaluation of the emerging risks that affect the banks financial position. Such auditing must be conducted at least once every year and QCB should be provided with a copy of the auditor’s report including the results of the auditing of these portfolios along with submission of the banks’ financial statements to QCB for approval.

- Portfolios and investment mutual funds marketed by banks but not managed or supervised by banks:

The bank’s external auditor must be requested to audit the marketing procedures of such portfolios and mutual funds in conformity with relevant QCB instructions, and include the auditing results in a separate item in his annual Management letter.

2/10 Disclosure Through Advertising for Introducing or Marketing Investment Products:

All banks should consider the following when advertising for introducing or marketing investment products:

- When disclosing the return of an actual or previously allocated investment mutual funds and accounts, the external auditor must give his approval and that should be indicated in the prospectus.

- While disclosing the target return, it should be clearly and explicitly mentioned that return is a target and the bank or does not ensure its realization. Also, that target return should be commensurate with the investment’s risk-profile and its previous performance.

- The prospectus should clearly and directly mention that the invested amount is guaranteed or not in addition to its return, and the guarantor’s names and terms.

- Maintaining objectiveness, transparency and clarity of all the information disclosed in the announcement of investment product.
2/11 QCB’s Non Objection to Investment Portfolios and Products Issuance and Marketing

All banks desirous to issue, manage, or participate in management for customers’ benefit, investment portfolios and products, should obtain QCB’s non objection and provide it with full copies of the prospectuses, the contracts concluded with other entities and forms of the customers’ contracts, at least 3 weeks before issuing or marketing or advertising for any portfolio or product.

Investment portfolios and products marketed by the bank for others may be marketed without obtaining QCB’s non objection, provided that investment products marketing instructions are complied with. QCB shall check compliance with such instructions while inspecting banks. Periodical data on investment portfolios and products marketed or managed by banks should be provided to QCB in accordance with instructions mentioned in page no. (568)

These instructions are effective from April 2008.

2/12 Real Estate Funds

Regulations of real estate funds’ business

In accordance with Article no. (31) of law no 25 of the year 2002 on mutual funds and its executive regulations no 69 of the year 2004, banks desiring to establish real estate funds should comply with the following:

2/12/1 Lending

Real estate funds may not lend more than 25% of the funds’ net asset value for liquidity purposes only. Such condition should be included in the funds’ bylaws according to the principle of discloser and transparency.

2/12/2 Valuation upon Purchase

In coordination with the investment custodian, the management of the fund should get valuation of the properties from a specialized valuer. The valuer should be independent and neutral, and the valuation report should be made within maximum period of three months before the purchasing date.

2/12/3 Periodical Valuation

Regarding valuation of the funds’ units on a minimum quarterly basis as specified in Article (29) of the executive regulations of the Law no. (25) of the year 2002, in case of real estate assets do not necessarily mean

revaluing all the funds’ assets every three months. However such revaluation should be done within suitable periods consistent with the expected change in the properties’ fair value according to the estimation of the investment custodian or the assigned valuer, considering any expected decrease or increase in the value of the property during valuation time, or the dates set in the bylaws and prospectus to redeem units in order to obtain a fair valuation of the redeemable units. In all circumstances the periods set for valuation of property must not exceed six months.

2/12/4 Legal Procedures

- Properties planned to be purchased must be legally registered, not subjected to any restrictions or conditions, and supported by all necessary formal documents.
- Funds must have their own legal systems that assist the investment custodian to keep originals of the properties documents and certificates. The investment custodian is the only person responsible for the legal documents of the purchased properties.

3- Banks' Transactions on behalf of Customers in Foreign Exchange, Commodities and Metals

3/1 Margin Trading

Banks may deal in the international markets on behalf of the customers through obtaining a margin against dealing in foreign exchange, commodities and metals, provided following conditions are fulfilled:

- Concluding legal contracts with customers.
- The minimum margin requirement will be 10% for a contract of $100,000 or above, 15%-20% for a lower contract. That margin will be valid through the duration of the contract value.
- Any loss, exceeding 50% of the margin, must lead to an automatic settlement of the contract and must be approved by the customer in advance.
- The telephone conversation between the bank and the customer in the dealing room must be recorded.

3/2 Regulations of Financing Customers' Trading in Securities

For more details, please refer to instructions in page no. (240), these instructions are cancelled as from 6/5/2009 as per circular no. (34/2009).
3/3 Other Financial Transactions on behalf of Customers

3/3/1 Rules, ceilings and procedures must be determined for all other types of financial transactions that are performed by the bank on behalf of the customers. Banks should consider specifying ceilings for the volume and maturities of the forward contracts and option rights, and covering the positions.

3/3/2 The bank management should consider the following regarding the abovementioned items no. 3/1 and 3/3:

- Customer's creditworthiness.
- Checking that the margin deposited by the customer for dealing in the international market is not a credit granted by the bank.
- Foreign Exchange Departments should review the positions on a daily basis and send monthly report to the bank management regarding these transactions.
- Internal auditor for each bank must conduct periodical audit.
- Notifying customer with the latest developments if necessary.

4- Customers' Investments in Foreign Companies' Stocks

Upon marketing the foreign companies stocks for customers, all banks must maintain transparency in providing customers with information relating to par and book values of the marketed stocks, and the size and complexity of the markets in which they are trading and any other relevant information. Such information must be in writing and confirm that customers are entirely responsible for the decisions for purchase and sale.
Relation with Customer

Second: Customers' Deposit Accounts

1- Regulations for Opening Personal Deposits Accounts

1/1 All banks must complete and provide information, contracts and documents, indicated below for all types of personal deposits accounts opened at banks either for residents in Qatar or the non-residents, provided that the instructions on combating money laundering and the financing of terrorism are abided by.

1/2 The following are the main information about customers to be included in the account opening forms and contracts:

- Customer’s full name as mentioned in the passport or the personal identification card for residents and Qatari.
- Passport or personal identification card number and its validity date.
- Nationality.
- Place and date of birth.
- Profession and work place.
- Place of residence.
- Postal address.
- Customer signature or fingerprint and the identifier's signature as in signature form.
- Name and address of the sponsor or the work entity for the residents in Qatar.
- Committing to the Cabinet’s decision no. (6) of the year 1995 regarding the citizens' transactions that banks perform for them. It states that: "All banks operating in the State of Qatar must record the identification card number or personal identification number mentioned in the birth certificate, being the only proof of personal identity, for all bank transactions pertaining to Qatari individuals and must not accept any other identification document. If any bank employee violates the aforesaid commitments, he will be administratively questioned and subjected to appropriate disciplinary action in accordance with the applicable legal rules".
1/3 Documents to be attached to the Account Opening Forms and Contracts:

- Full copy of valid passport or identification card.
- Personal photograph of fingerprints.
- Copies of powers of attorney and signature and delegating authority letters that the account owner provided.

1/4 Contracts to be Concluded:

1/4/1 Special contracts for deposits must be concluded, to determine all conditions and rules defining the nature of each account, and regulating its management, and withdrawals and deposits on that account, according to its type, its return or interest rate calculation policy; without violating any of the conditions and rules of QCB’s instructions and laws or the rules and articles of the civil and commercial law.

1/4/2 There are three types of contracts according to its legal status that should be distinguished:

- Individual accounts: (for one individual) they must have an individual account-opening contract.
- Joint accounts: (for more than an individual) they must have special contracts that include the following:
  - Full information and data about all partners, supported by the necessary documents as indicated in item (1/2).
  - Types of the joint account, shares of partners and the signatories delegated by the partners for managing and signing the account.
  - Manner of managing the account, the determined shares and the account property upon the death of any of the partners without violating the rules of the Islamic Shariaa and the civil and commercial law.
- Minors' accounts: There should be special contract to consider the following:
  - Opening the account holding the minor’s name must be done by his legal guardian or custodian or warden. Full data and information about the minor and the guardian or the custodian must be obtained together with copies of the supporting documents as stated in (1/2).
- The minor's age must be ascertained on the basis of his identification card in order to record his date of birth in the contracts and all the papers and forms used in dealing with the account.

- Stoppage of operation of the account by the custodian or the guardian immediately when the minor reaches adulthood, and new contracts and forms must be concluded to prove the new status of the account.

- In case a limit is set by a judgment of a competent court, the guardian is not allowed to draw money from the minor account in excess of the limit.

- All rules of the Islamic Shariaa and the civil and commercial law must be abided by.

1/5 Customer Accounts Statements:
Names in the statements and notifications sent to customers, must be identical to those listed in the account opening forms and contracts as recorded in records and cards at the bank, as well as the commitment to issue and send monthly account statements regarding all current accounts and semi-year statements regarding the saving accounts.

1/6 Opening more than one main account for a customer:
In accordance with the Law QCB and the regulation of financial institutions banks must comply with the following:

1- Opening more than one main account for a customer is not allowed unless it is prescribed by law, or by court order, or laws and regulations of governmental institutions. Other than the said cases, each customer may not be allowed to open more than one main account under which may open sub accounts with code for each account according to the nature and purpose.

2- All customer accounts have to be adjusted and rectified as stated above within a deadline of end of 2013.

---

Refer to circular no. (19/2013) dated 17/3/2012 - all banks.
2- Account Opening Procedures

2/1 Opening Current Account:

2/1/1 Before opening current account, the bank must know about the customer and his commitment regarding returned cheques instructions, indicated in page no. (5467 and no. (68) of these instructions.

2/1/2 Committing to the instructions issued by the Ministry of Economy and Commerce in respect of opening the accounts, which are indicated in pages no. (133) of these instructions.

2/1/3 Foreign companies, which do not conduct any activity in Qatar, may open accounts provided that they have documents and papers issued from official entities in their home countries, such as their commercial registry entry. Also, provide a certificate from the bank in home country, which proves its financial dealings, with the necessity to comply with the instructions of combating money laundry and financing terrorism.

The instructions in item (2/1/3) are effective from March 2005.

2/2 Customers are not permitted to use cheques for drawing from the saving accounts.

3- Deposits at Islamic Banks/Mudaraba Percentages and Profit Rates

3/1 Accepting Islamic Deposits based on Tawaroq (Reverse Murabaha) 208

With reference to majority of Fatwa and Shariaa boards in Islamic banks and Islamic branches of the commercial banks operating in the State of Qatar, and to Shariaa standard no. (30) issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), The following has been decided:

3/1/1 Islamic banks and branches shall be prohibited to accept deposits from customers based on Tawaroq (Reverse Murabaha).

3/1/2 With exception of paragraph no. (1), accepting deposits based on Tawaroq shall be conducted only from banks and financial institutions, not from other customers, for purpose of liquidity and emergencies estimated by Shariaa board of each bank according to a written policy approved by the Shariaa board.

These instructions are effective from May 2008.

---

208 Refer to circular no. (71/2008) dated 7/5/2008 – Islamic Banks and Islamic branches of commercial banks.
3/2 Islamic banks and Islamic branches in commercial banks must clearly announce in the beginning of the financial period, the Mudaraba percentage they will obtain, informing QCB on such percentage. In case the bank wishes to change these percentages, it must get QCB’s prior approval.

3/3 The bank must obtain QCB’s prior approval on the banks profit rates for the different deposits, before allocating them to the deposit owners.

4- Introducing New Type of Deposits

Prior to offering any type of deposits, the bank should obtain QCB’s approval. The bank has to present a request to QCB before activation or announcing for such deposits. All banks should adhere to transparency and diligence in specifying the characteristics and risks of the new product by including such details in the advertisement or contracts and documents signed with customers.

5- Opening an Account for Companies Applying for License to Work in Free Zones of Science and Technology Oasis

With reference to the letter from the chairman of the Board of Science and Technology Oasis dated 12/3/2006 regarding opening accounts for companies applying for licenses to work in the free zone under article (5) of law no. (36) of the year 2005 on establishing free zone for sciences and technology oasis, all companies who are licensed by the board of directors of science and technology oasis are entitled to open accounts at banks in accordance to law no. (36) of the year 2005, provided that combating money laundering and terrorism financing instructions are complied with.

6- Resident and Non-Resident Accounts

These accounts should be as per definition in annex no. (108) hereof, according to circular no. (91/2007) dated 8/7/2007, items 2/3/1 and 2/3/2 of the assets and liabilities monthly statement.
7- Using Personal Accounts for Commercial Purposes

With reference to the instructions issued by the Ministry of Business and Trade and as contained herein page no. (133) concerning the above subject; QCB has observed that some personal accounts maintained in some banks are used for commercial purposes, which does not comply with the QCB instructions. These instructions require banks to close any personal account that may be used for commercial purposes and inform QCB of those accounts used for such purposes along with the supporting documents to enable QCB to transfer them to the Ministry of Business and Trade.

Banks are required to comply with the following:

7/1 The application of opening a personal account should include the following data:

7/1/1 Applicant's profession and copy of supporting documents.
7/1/2 Purpose for opening the account, which should be only for personal purposes such as salary account or any other personal requirements.
7/1/3 Applicants disclosure of the main sources of cash flows into the account.
7/1/4 Applicant's undertakes that he shall use such account only for personal benefits that he had already disclosed and will not use such account for any commercial business whether directly or indirectly. The undertaking should include that if the bank views that the holder of such account violates the rules of this undertaking, it will take the necessary procedure to close such account according to the instructions of QCB and the Ministry of Economy and Commerce.
7/1/5 A statement that all data included in the application are correct and the applicant is legally responsible for any misleading information.

7/2 Each bank should establish a system to control, review and monitor transactions of personal current accounts so as to enable detection of any violation in the nature of account, cash flows, and the personal purposes that are disclosed in the application for account opening.

7/3 Policies and procedures should be set to deal with any violations committed on personal accounts. Such procedures should be flexible and gradual, beginning with sending formal warning to the violating customer; demanding from the customer to rectify the violation and if non-compliant finally to close the account. In all such violations, the application of the law (13) of 2012 on QCB and the regulation of financial institutions regarding Customer protection Articles (140:144) part four chapter one.
cases, the bank should immediately inform QCB on the violations detected and rectification procedures undertaken by the bank, together with all supporting documents, so as to enable QCB to deal with such violations on a case-by-case basis.

7/4 These instructions are not in contradiction with the instructions on anti-money laundering and combating financing of terrorism. Banks should therefore inform the Financial Information Unit (FIU) of all such cases where the account holder is using personal account for any commercial purposes and is suspected to be money laundering.

The above-mentioned instructions shall be implemented as of 11/2007 and QCB shall impose financial penalties on the violating banks in accordance with article no. (216) of QCB law.

8- **Promoting Customer Awareness in the Banking Sector**

As QCB seeks to promote customer awareness in the banking sector in Qatar, banks shall comply with following:

1- Banks shall assign a 24 hour hot line for reporting on risky transactions conducted for the customer account through ATM. This hot line should be separate from the Call Center.

2- SMS sent to customers after every transaction conducted for their accounts shall include the following sentence: “For any queries, please contact tel.: 44XXXXXX”.

3- The same sentence shall be shown on the ATM screen and the banking online service, or the through the propaganda media for banks.

For coordination purposes, please contact the Banking, Payment and Settlement Systems Department, tel.: 44456369/44456352.

---

210 Refer to circular no. (2/2013) dated 10/1/2013 to all banks.
Relation with Customer

Third: Marketing Products of Insurance

As certain banks wish to market insurance products on behalf of insurance companies outside Qatar, banks may carry out this activity in accordance with the following regulations:

1- National banks should include the activity of marketing insurance products in their article of association and obtain the approval of the general assembly and ministry of economy and commerce. National banks and foreign banks should include this activity in their commercial register in Qatar.

2- The insurance company with which the bank agrees to market its products should be authorized by its local supervisor to market the type of products agreed, and the supervisory regulations should allow use of banks in marketing its products. Banks should review the financial solvency, experience and good reputation of these institutions, and maintain copies of their authorization documents and audited financial data.

3- Banks should sign agreements with institutions, on behalf of which they shall market their insurance products, stating the banks' responsibility to market the agreed products only without providing any guarantees. These agreements should also include that banks are not, by any means, responsible for the composition, risks, management, nor sponsoring the marketed products. In addition, agreements should assign duties and responsibilities for each party and the contents of such agreements should be disclosed to customers.

4- Banks should prepare product information booklets translated in Arabic containing the products' main characteristics, conditions, and risks, and provide them to customers. Booklets should be accurate and clear, and the bank may not make any change to the marketed product's name, characteristics, or conditions. The product’s characteristics, risks, and related parties included in the booklet prepared by the bank should be the same information in the original booklet issued by the insurance company.

5- Banks should comply with transparency and subjectivity upon announcing for the marketed products. Customers should be provided with all relevant information or leaflets issued by the insurance company stating its financial position or the performance of the marketed products.
6- Banks should obtain full copies of issuance and subscription booklets provided for customers along with the information booklet mentioned in paragraph (4). All information on the insurance company's financial position should be obtained and customers inquires about the product's conditions should be answered.

7- Banks should obtain acknowledgement, from the product’s customers in the form of undertakings or application forms signed by them, stating that they have obtained the subscription booklet and documents from the bank, in addition to other related information. Customers also should acknowledge that they bear full responsibility of subscribing to this product and understand that the bank is only a marketing agent, and bears no responsibility regarding the performance of the product or the subscription’s consequences.

8- The bank marketing insurance products should not have any commitment towards the insurance company relating to its representation. The insurance company should station its marketing representative in Qatar such as joint committee, delegated team work, or representative office at the bank.

9- Banks should comply with QCB regulations upon marketing any insurance products, and avoid violations or legal infringements against the insurance company, customers, or any other entity inside or outside Qatar in accordance with local and international laws.

10- Banks should establish separate department or division for this activity which shall maintain all relevant documents and records of subscribers according to the procedures agreed with the company and information disclosed to subscribers.

11- Banks should comply with anti-money laundering and terrorism financing regulations in connection with any money received or money transfers for marketing purposes.

These instructions are effective from January 2008. Banks marketing insurance products should comply with these regulations within three month period as from 1/2008.
Relation with Customer

Fourth: Providing Service Counters in Banks for Persons with Special Needs

Towards fulfilling humanitarian needs and providing banking services for all sectors of the society on equal basis, all banks must provide separate places in the service counters for persons with special needs, and posting special sign marking these places in the bank. In addition, a designated parking area for their cars and separate entrance as well must be provided.
Relation with Customer

Fifth: Special Need Customers (Blinds)

A- 211 Banks should give blind customers special attention upon providing them any banking service. Special procedures should be conducted for these individuals to maintain safety to their banking transactions. The following shall be the minimum procedures to be taken:

1- Special type of forms of account opening documents, facilities contracts, investment and transaction documents, statements, customer notifications all should be typed in Braille.

2- Provide voice records to illustrate terms, and conditions of contracts and documents signed by customer relating to any transaction conducted.

3- Review all legal documents which prove the identity of any agent representing the customer and that witnesses are present when signing any transaction documents particularly in case of blind and deaf individuals.

4- Other legal requirements and procedures should be fulfilled These instructions are to be enforced as from 13/9/2010 and banks shall be given 3 month maximum period from the issuance date to comply with these procedures.

B- 212 With reference to instructions in (A) mentioned above (Circular No 73/2009 dated 13/9/2009 and Circular No 49/2009, and to The letter of the Chairman of the Arab Blind Union No 193/2011 dated 21/2/2011 attached hereto, kindly note that these instructions are applied only to the blind and deaf customers and not the blind who are able to hear normally. These instructions are effective as from 2/3/2011.

Relation with Customer

Sixth: Commissions and Fees on Personal Accounts and Services

1- Limits of Commissions and Fees\textsuperscript{213}:

Pursuant to article no. (121) QCB Law, banks should comply with limits of commissions and fees shown in the attached table in annex no. (141) charged to personal accounts and services.

Banks should comply with the following:

A- Transparency should be maintained upon informing customers with the fees and commissions charged to personal accounts within the ceilings determined by QCB.

B- Inform QCB with any fees and commissions charged to personal accounts and services other than cases shown in the attached table within two weeks from 14/2/2010.

C- No bank may charge any commissions and fees to personal accounts or services other than cases shown in the attached table and cases reported to QCB according to paragraph (b) unless QCB’s approval is obtained.

These instructions shall be enforced as from 14/2/2010. Any violating bank shall be penalized in accordance with QCB law.

2- Commission and Fees Disclosure\textsuperscript{214}:

Referring to instructions in paragraph (A) item (1) above mentioned, all banks should disclose the fees and commissions charged to accounts for all services provided through announcement board clearly shown in the main hall of the main branches and all branches as well.

---

\textsuperscript{213} Refer to circular no. (16/2010) dated 14/2/2010.

\textsuperscript{214} Refer to circular no. (21/2010) dated 2/32/2010.