Chapter Eleven

Qatar Exchange
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1- Disclosure of Profit Distributions by Qatar Exchange

All national banks whose shares are listed on Qatar Exchange shall immediately notify the Market Management of any decisions, concerning the shareholders' equity or share profits, made by the bank's board of directors. Such profits shall be disclosed to investors as they are anticipated to be distributed and shall not be fully acknowledged, unless the bank's end of year financial statements are finally prepared and approved by QCB.

2- Controls on Conducting Financial Brokerage Activity in Qatar Exchange

With reference to approval of the Prime Minister on granting licenses to banks to conduct the financial brokerage activity in Qatar Exchange; as QCB wants to reduce the banks’ risk exposures while conducting this activity; and with reference to article no. (121) QCB Law, the following is decided:

2/1 Licensing

2/1/1 Banks shall obtain QCB’s approval before applying to Qatar Financial Markets Authority for license to conduct the financial brokerage activity in Qatar Exchange.

2/1/2 Banks should independently conduct the financial brokerage activity in Qatar Exchange by establishing an independent legal entity owned by the bank as a subsidiary to conduct such activity in conformity with the requirements of Qatar Financial Markets Authority.

2/2 Organizing and Managing Risk of Financial Brokerage Activity

Banks licensed to conduct the financial brokerage activity in Qatar Exchange through an independent subsidiary should organize and manage the risk of such activity in order to avoid the bank’s risk exposures which, accordingly, may have impact and implication on the banking risk profile and compliance with the supervisory controls and rules.

The broker bank should comply with the following:

2/2/1 Transaction Execution and Settlement Risk:

2/2/1/1 The bank shall not execute customers’ buying requests until the amount of shares including the commission is collected. The bank may collect the amount by one of the following:

A- Retaining or deducting the amount of the shares from the customer’s account after checking that the fund is sufficient, provided that the customer’s account is not overdrawn and any past due amounts are not recorded on this account as a result of the buying transaction.

B- Collecting from the available due amounts that the customer has not received as a result of previous selling transactions that can cover the whole amount of buying transaction, and checking that such amounts are retained and not withdrawn by the customer.

C- Obtaining an authenticated due bank cheque that covers the whole amount of buying transaction.

2/2/1/2 The bank may not grant any direct or indirect credit facilities to the customers or overdraw its accounts in order to finance buying shares, with exception of credit facilities granted against cash collaterals that cover the whole amount in terms of retained deposits.

2/2/1/3 The bank may not allow its customers to use any part of the credit facilities granted to them or to their borrower group for personal or commercial purposes to finance buying shares.

2/2/1/4 The bank may grant cash settlement limits to customers including banks, financial institutions and companies listed on stock exchanges or the government companies so that the customers’ buying requests can be executed within these limits, and collect the amount of shares within the period given by Qatar Exchange to settle the buying transactions.

2/2/2 Operational Risk

2/2/2/1 The bank shall open accounts for customers who want to trade in the bank’s brokerage subsidiary on which buying and selling transactions and customers’ balances at the bank are recorded. These accounts shall be
independent from the other accounts of customers at the bank and managed in conformity with rules and instructions of Qatar Financial Markets Authority and Qatar Exchange.

2/2/2/2 The bank shall have agreements for dealing with all customers that set the dealing controls and conditions, responsibilities and rights of all parties, and fulfillment of all documents and contracts which include the rights of the bank and customers in accordance with the rules and instructions of Qatar Financial Markets Authority and Qatar Exchange.

2/2/2/3 In case of granting cash settlement limits to customers from banks, financial institutions and joint-stock companies according to paragraph no. (1/4), the bank’s management should periodically reassess the limits granted to customers in the light of their financial positions and regularity in payment within the period defined by the market. The irregular customers shall be excluded and required to pay the amount of buying transactions by spot cash coverage.

2/2/2/4 The bank shall develop an automated system to link the bank’s brokerage subsidiary to the bank’s other departments so that the bank can check that the customer’s account has sufficient fund and retain or deduct the amount of buying transaction from the customer’s account before executing the transaction.

2/2/2/5 The bank shall fulfill all data of buying and selling orders and the customers’ signatures and keep them in an organized and safe manner so that they can be easily retrieved.

2/2/2/6 The bank shall record the buying and selling transactions ordered through phone using an automated connect system in the bank’s brokerage subsidiary in an easy way so that they can be retrieved within defined date and time.

2/2/2/7 The bank shall develop an automated connect system to ensure that the daily buying and selling transactions are automatically and immediately recorded so that they can be regularly checked and matched on a daily basis.
**2/2/3 Organizational, Administrative and Regulatory Risks**

**2/2/3/1** The bank shall set policies, procedures and guidelines approved by the board of directors in conformity with QCB’s instructions, Qatar Financial Markets Authority’s laws and instructions, and Qatar Exchange’s Regulations. These policies shall organize and control the financial brokerage activity in Qatar Exchange and ensure that the brokerage subsidiary is independent and its activity is not mixed with other banking activities conducted in the bank. These policies shall also define the bank’s duties and responsibilities at different administrative and regulatory levels in relation with the brokerage subsidiary and while recording, auditing and controlling the buying and selling transactions. These policies and procedures shall be periodically updated and developed in the light of the results of the actual practices and any changes in the instructions and laws.

**2/2/3/2** The bank’s board of directors shall take all required procedures and measures to ensure that the bank’s brokerage subsidiary complies with the legislations of Qatar Financial Markets Authority and Qatar Exchange, and avoids any violations that may result in financial obligations, compensations or financial fines on the brokerage subsidiary.

**2/2/3/3** The bank’s members of board of directors and employees may not trade in Qatar Exchange through bank’s brokerage subsidiary.

**2/2/3/4** The bank shall establish an efficient system to conduct matching and settling, to follow up the collection of settlements, to record the transactions regularly on a daily basis and to supervise and control these transactions by submitting periodic reports including any related results, pending issues and violations to the bank’s chief executive officer or his representative in order to hold the responsible persons accountable immediately.

**2/2/3/5** The banks shall record the customers’ complaints in a specific record at one of the bank’s divisions, separate from the subsidiary that conducts the brokerage activity. The bank’s chief executive officer, his representative, internal audit or the compliance officer shall be informed of
and review this record. Accordingly, the follow-up results shall be submitted to the board of directors.

2/2/3/6 The bank shall establish an effective internal audit program, throughout the year, for the activity of the bank’s brokerage subsidiary. The audit reports shall be regularly submitted to the audit committee and presented to the bank’s board of directors in order to take the required measures on any violations or negative aspects and accordingly hold the management accountable.

2/2/6/7 The bank shall assign the bank’s auditor to audit the brokerage subsidiary activity annually and evaluate the policies and procedures of work in progress.

2/2/3/8 The bank shall comply with the consolidated supervision while managing and controlling the brokerage subsidiary.

These instructions shall come into effect as from the issuance date and replace any other instructions issued by QCB concerning the financial brokerage in Qatar Exchange.

3- **Conducting Financial Brokerage Activity in Qatar Exchange**

With reference to Prime Minister’s approval on granting licenses to national banks for conducting financial brokerage activity in Qatar Exchange, article no. (77,78) QCB Law and QCB’s instructions concerning controls on conducting financial brokerage activity in Qatar Exchange under item no. (2) in page no. (503), national banks should comply with the following:

**First:** Activities of banks' subsidiaries that are conducting financial brokerage shall be limited to the brokerage activity in Qatar Exchange only. They shall not conduct any of the following activities of investments on behalf of third parties stated in article no. (4) of the financial services - firms rule book issued by Qatar Financial Markets Authority:

- Item no. (5): Arranging for the provision of custody services.
- Item no. (7): Managing investment in securities.
- Item no. (8): Investment trusteeship.

Refer to circular no. (7/2012) dated 23/1/2012.
Item no. (9): Underwriting issuance of securities.

Item no. (10): Managing issuance of securities.

For conducting any of the above-mentioned activities by the subsidiaries of banks must be licensed by QCB in accordance with article no. (77) of QCB Law.

Second: The term or logo of "Investment" shall not be used in the name of the brokerage company, any documents, correspondences or advertisements in accordance with article no. (78) of the above-mentioned law. The name of the brokerage company shall be added with the name of the bank according to article no. (260 repeated/3) of Law no. (16) of the year 2006 on amending some provisions of the Commercial Companies Law no. (5) of the year 2002.

These instructions shall be effective from 23/1/2012. The companies violating these requirements shall rectify their position and provide QCB with written clarification.