- 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.
  - Report of the Shariaa supervisory board on the Islamic based funds.
- 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 [205]liquidation 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.

[205] Refer to circular no. (86/2009) dated 3/11/2009.

- 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 [206]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

[206] This item is amended by circular no. (48/2008) dated 1/4/2008.

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).