Date: 8-1-2022

Circular no.:6/2022

To: All Banks operating in Qatar

Subject: Disclosure Requirements According to Basel Committee's Pillar III

To complete implementation of Basel committee's Capital adequacy requirements - Pillar III Disclosure requirements the updated framework, all banks must comply with the following principles and guidelines attached here to which shall be implemented as from the end of year financial statements for the year ended in 31/12/2022.

Best regards

Bandar Bin Mohammed Bin Saoud Al-Thani

Governor

Principles and Guidelines on Basel committee Pillar III Capital adequacy implementation - Disclosure requirements the updated framework

First: Scope of Applications

Disclosure requirements is one of the most important basics of Basel methodology which must be adhered to by all banks whether domestic or international systematically important or other banks as per the requirements for each bank on the banking group level. The scope of application of the requirements shall include the following;

All national conventional banks on consolidated level.

All national Islamic banks on consolidated level. Islamic banks shall be allowed to add any amendments to the form or the content of the disclosure in accordance with Sharia requirements stated by its Sharia Supervisory Board. Any amendments should be as per QCB regulations until the issuance of updated instructions related to the IFSB disclosure requirements.

All branches of foreign banks operating in Qatar if Basel's disclosure requirements are not applied on the group level by their main headquarters, disclosure must be consistent with the branch size and the type of activities provided and as per requirements of the main headquarter and the external auditor in Qatar in accordance with QCB's requirements.

Second: Implementation dates and places for disclosure requirements:

The bank's annual statement and periodic reports must include separated section for data, tables and formats of disclosure requirements of Basel pillar III. Systematically important banks, as per QCB classification, shall include these disclosure at least twice every year in 30/6 and 31/12. Other banks shall include at least once at the end of each year in 31/12 suitable to each type as per pillar III disclosure requirments.

Third: Disclosures form and Content

Banks must comply with the form and content of Pillar III disclosure such as; information, tables, forms and clarifications should be compared with the same of the previous periods as per Pillar III requirements.

Fourth: Ensure the Correctness and Accuracy of disclosure and Responsibility

Banks must give importance, pay attention, and conduct control and internal and external audit to Pillar III "disclosure periodic reports in the same manner other periodic financial reports are handled. The executive management, Board of Directors, and the external auditor are responsible for the accuracy, correctness, and comprehensiveness of the disclosure. Board of directors must assign this responsibility to the audit committee through checking and validating the correctness and completeness of the disclosure by the internal audit, the external audit, and compliance officer. The executive management, Board of Directors, and the external auditor are individually and collectively responsible for the correctness and completeness of the disclosure in front of QCB, all users of information included in the disclosures, and stakeholders, and for reporting in writing to QCB about any violations, shortfalls, or mistake in the disclosures.

Fifth: Data Adequacy and Confidentiality

As indicted in the beginning, it is necessary to consider achieving balance between the disclosure of some information and violation of laws or legal obligations that require confidentiality. In addition, such disclosed information and data if classified by the bank as confidential must be taken into accounts.

Sixth: General Principles of Disclosure

As per pillar III, Basel Committee set five general principles governing the form and content of disclosures aimed at ensuring the feasibility and adequacy of these disclosures in a manner that fulfil the needs and interests of all categories of investors, stakeholders, users and analysts of information in a transparent and sufficient manner to enable them with a correct understanding of the risks and repercussions they are exposed to in dealing with Banks with their ability to compare.

These five principles are summarized as follows:

Principle 1: Clarity of Disclosures:

Disclosures must be presented in a clear and understandable way for all categories of users, important information and messages must be clearly and easily accessible, and complex matters must be clarified in simple and understandable language for all users with linking risks and related matters to each other.

Principle 2: Comprehensiveness of Disclosures:

Disclosures must include a description of all the main activities of the bank and significant risks supported by the data and information described for this, and must disclose significant changes in exposure to risks between periodic reporting periods included in the opinion of management.

Disclosures must provide sufficient quantitative and qualitative information about the bank's procedures for identifying, measuring and managing risks, and the level of details disclosed must be consistent with the complexity of the bank's operations.

The disclosure methodology should be flexible enough to reflect how the Executive Management and the Board of Directors work to assess and manage risks and strategies to help data users better understand the level of risk to which the bank is exposed and how to manage it.

Principle 3: Feasibility of Disclosures:

The disclosures should consider the most significant current and potential risks of the bank and how these risks are managed, including information that attracts the attention of the market. The potential risks should be considered when presenting the budget items and according to income, while avoiding disclosures that are not of interest to users and that do not represent useful information for them.

Principle 4: Consistency of Disclosures over periods:

Disclosures must be matching and consistent across the time periods of the disclosures to enable users to identify risks attitudes and indicators of the bank's important activities, and any addition, deletion or change in the disclosures from previous periods, including disclosures related to regulatory and market developments, must be clarified.

Principle 5: Comparability of disclosures with other banks:

The level and form of disclosures, and the details, forms and tables they contain, should be comparable with other banks in a way that enables users to make comparisons between banks with regard to their activities, risks, precautionary measures and risk management at the local and international levels.

Seventh: General Guidelines for Preparing Information and Data for Disclosures:

In order to achieve consistency between the form and content of disclosures between banks and to make them comparable by different categories of users and by QCB in accordance with the fifth principle referred to above, banks must comply with the following:

1. Assigning its external auditors to assist and give an opinion when preparing forms, tables and data for disclosure reports in accordance with those included in the updated Basel pillar III. External auditors should make coordination regarding this issue to differentiate between significant and other banks to check the consistency of disclosures and comparability with similar banks at the local and international levels.

2. Each bank shall submit to QCB a set of forms, tables, and data for the disclosure reports prepared with its auditor (with the auditor's opinion in the event of any discrepancies) mentioned above, in order to obtain QCB's non-objection upon verification of compliance with Basel requirements.

Banks must submit the above-mentioned report forms to QCB within six months from the date of issuance of the circular of disclosures of pillar III in preparation for its implementation starting from the financial statements at the end of 2022.
