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**Regulatory and institutional foundations for high-
quality corporate reporting**

Presented by

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***Regulatory and institutional foundations for high-quality
corporate reporting***

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Agenda

1. Authorised firms
2. Reporting foundation
3. Key challenges
4. Conclusion

Authorised firms – Banking

Table 1: Banks Authorised, Operating & Regulated by the QFCRA

Firm	Q2:2012	Q2:2011
Authorised	27	26
Operational	26	26
License Type	Q2:2012	Q2:2011
LLC	6	6
Branch	21	20
Structure	Q2:2012	Q2:2011
Conventional	25	24
Shariah Compliant	2	2

Table 2: Industry Composition by Geographic Category

LLC	Cat 1	Cat 2-4	Cat 5	Total
International	0	1	0	1
MENA	3	0	0	3
Domestic	0	1	1	2
Total:	3	2	1	6
Branch	Cat 1	Cat 2-4	Cat 5	Total
International	4	11	0	15
MENA	4	1	1	6
Domestic	0	0	0	0
Total:	8	12	1	21

Authorised firms – Asset Management

Table 1: Firms Authorised & Operating in the QFC

Firm	Q2:2012	Q2:2011
Authorised	13	13
Operational	13	13
License Type	Q2:2012	Q2:2011
LLC	13	13
Branch	0	0

Table 2: Industry Composition by Geographic Category

LLC	Cat 1	Cat 2	Cat 3	Cat 4
Int.	0	0	0	4
MENA	0	0	1	2
Dom.	1	1	3	1
Total:	1	1	4	7

Authorised firms – Insurance

Table 1: Firms Authorised, Currently Operating & Regulated

Firm	Q2:2012	Q2:2011
Authorised	24	21
Operational	24	20
License Type	Q2:2012	Q2:2011
LLC	13	11
Branch	11	10
Structure	Q2:2012	Q2:2011
Conventional	21	18
Takaful	3	3

Table 2: Industry Composition by Firm Geographic Category

LLC	DI ¹	RI ²	Broker ³	Cptv Mgr ⁴	Total
Int.	-	-	4	1	5
MENA	1	-	1	-	2
Dom.	4	1	1	-	6
Total:	5	1	6	1	13
Branch	DI	RI	Broker	Cptv Mgr	Total
Int.	2	1	1	-	4
MENA	6	-	1	-	7
Dom.	-	-	-	-	-
Total:	8	1	2	-	11

Reporting foundation

RA Mission:

“To deliver a world class financial regulatory environment, which contributes to the economic and social well being of Qatar”

Contribution of Supervision and Authorisation to RA Mission:

Effective Supervision and Authorisation to be achieved via the following strategy:

- Developing and implementing macro prudential framework
- Re-designing statutory returns to better reflect risk based information
- Enhancing management information
- Enhancing the qualitative and quantitative supervisory processes

Reporting foundation

- **Accounting Standards**
- **9.3.1** Subject to Rules 9.3.2 and 9.3.3, an *Authorised Firm* must prepare and maintain all financial accounts and statements in accordance with *IFRS, US GAAP* or such other principles or standards approved in writing by the *Regulatory Authority*.
- **9.3.2** An *Authorised Firm* which is an *Islamic Financial Institution* must prepare and maintain all financial accounts and statements in accordance with the accounting standards of *AAOIFI* or IFRS as supplemented by AAOIFI FAS 18.
- **9.3.3** An *Authorised Firm* which operates an *Islamic Window* must prepare and maintain all financial accounts and statements in accordance with one of those standards referred to in Rule 9.3.1 as supplemented by *AAOIFI FAS 18* in respect of its *Islamic Financial Business*.

Reporting foundation

- **Audit requirements**
- **Audit and audit reports—QFC Entities**
- (1) An *authorised firm* that is a *QFC Entity* must, in addition to the requirements contained in the *Companies Regulations* and the *Limited Liability Partnership Regulations*, ensure that its auditor:
 - (A) conducts an audit of the *authorised firm's* accounts and financial statements in accordance with the requirements of the relevant standards published by—
 - (i) for financial business other than *Islamic financial business*—the International Auditing and Assurance Standards Board (**IAASB**) or any other body approved in writing by the *Regulatory Authority*; and
 - (ii) for *Islamic financial business*— *AAOIFI* ;
 - (B) produces a report on the audited accounts and financial statements which states:
 - (i) whether, in the auditor's opinion, the accounts have been properly prepared in accordance with the requirements imposed by this chapter;
 - (ii) in particular, whether the financial statements present fairly, in all material respects, the financial position of the *Authorised Firm* for the financial year and its financial performance and its cash flows for the year then ended in accordance with the financial reporting provisions of the *Regulatory Authority*; and

Reporting foundation

- **Audit requirements (continued)**
- (iii) any other matter or opinion relating to the requirements of this chapter; and
- (C) produces an auditor's report which states whether:
 - (i) the auditor has audited the *authorised firm's* accounts and financial statements in accordance with the requirements of the applicable relevant standards;
 - (ii) the auditor has carried out any other procedures considered necessary having regard to the applicable relevant standards;
 - (iii) the auditor has received all necessary information and explanations for the purposes of preparing this report to the *Regulatory Authority*;
 - (iv) in the auditor's opinion, the Authorised Firm's prudential returns have been properly prepared by the Authorised Firm and present fairly, in all material respects, the financial position of the Authorised Firm, as at the date of the Authorised Firm's financial year end and its financial performance for the year then ended in accordance with the financial reporting provisions of the *Regulatory Authority*;
 - (v) in the auditor's opinion, the *Authorised Firm's* prudential returns to the *Regulatory Authority* have been properly reconciled with the appropriate audited accounts;

Reporting foundation

Basel Core Principles for Effective Banking Supervision

- **The principle of proportionality:**
- The essential criteria set out minimum baseline requirements for sound supervisory practices and are of universal applicability to all countries.
- An assessment of a jurisdiction against the essential criteria must, however, recognise that its supervisory practices should be commensurate with the risk profile and systemic importance of the banks being supervised.
- In other words, the assessment must consider the context in which the supervisory practices are applied. As with the essential criteria, any assessment against additional criteria should also adopt the principle of proportionality. This principle should underpin assessment of all criteria even if it is not always explicitly referred to in the criteria.
- For example, a jurisdiction with many systemically important banks or banks that are part of complex mixed conglomerates will naturally have a higher hurdle to obtain a “Compliant” grading as compared to a jurisdiction which only has small and non-complex banks that are primarily engaged in deposit taking and extending loans.

Key challenges

- Numerous reporting frameworks
- No specific auditing standards for regulatory assurance
- Inconsistency between IFRS 7 *et al* and Basel Pillar 3 disclosures
- Inadequate alignment between Banking, Insurance and IOSCO Core Principles

Conclusion

- International financial centers face diverse challenges
- Standard setters need to collaborate towards achieving one set of high-quality, global reporting and auditing standards
- Regulators need to strive for consistent principles across industries
- The toolkit must identify regulatory divergence and regulators' capacity challenges that might arise from facilitating investment by adopting a flexible approach
- Regulation can easily hamper economic development and investment by being inflexible

THANK YOU

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