



CENTRAL BANK OF BAHRAIN

Form 1 (Phase 1): Application for a License (Application for a license to carry out regulated banking services in the Kingdom of Bahrain)



Form 1 (Phase 1): Application for a License

Table of Contents

	Current Issue Date
Instructions	07/06
Declaration	07/06
Contact Information	07/06
Checklist	07/06
Section I License Type	07/06
Section II Licensee Details	01/09
Section III Legal Status	07/06
Section IV Regulated Banking Services	07/06
Section V Controllers	07/06
Section VI Management and Board Details	07/06
Section VII Financial Resources	07/06
Section VIII Accounts	07/06
Appendix I Business Plan Requirements	07/06



Form 1 (Phase 1): INSTRUCTIONS

PLEASE NOTE:

1. The application process for a conventional bank license consists of two parts: Phase 1 and Phase 2. For Phase 1, applicants for a license must submit a duly completed "Form 1 (Phase 1): Application for a License", under cover of a letter signed by an authorised signatory of the applicant. If CBB is satisfied that the requirements under Phase 1 have been met, and has issued an "in principle" approval for a license, Phase 2 in the application process consists of submitting additional documentation, under cover of a duly completed "Form 1 (Phase 2)". All the documentation required under Phase 2 must be submitted within six months of the "in principle" approval being issued. These application forms should be completed by referring to Volume 1 (Conventional Banks) of the CBB Rulebook, in particular Module LR (Licensing Requirements).
2. Complete all sections as fully as possible, attaching supporting documentation and continuation sheets where appropriate. The application should be written in ink in BLOCK CAPITALS or typed.
3. Failure to provide all the required information may result in significant delays in processing. The CBB does not accept responsibility for any loss caused to the applicant by any delay.
4. All documentation provided to the CBB must be in either the Arabic or English languages. Any documentation in a language other than English or Arabic must be accompanied by a certified English or Arabic translation thereof (see Paragraph LR-3.1.11).
5. If any question is not applicable given your particular circumstances, please clearly indicate by marking 'N/A', with an explanation as to why it does not apply. Please provide a full explanation for any question that cannot be answered at this stage. Please note that failure to provide the required information may prejudice an application and will cause delay.
6. The **original** completed form, together with supporting documentation, should be submitted to:

The Director, Licensing & Policy Directorate
Central Bank of Bahrain
PO Box 27
Manama
Kingdom of Bahrain
7. Queries may be addressed to the Director, on +973 17 547605 (telephone), +973 17 537554 (fax) and albassam@CBB.gov.bh (e-mail).
8. As part of Phase 1, the CBB will review the application and duly advise the applicant in writing when it has:
 - (a) granted the application, subject to further information to be submitted as part of Phase 2 of the process; or
 - (b) refused the application, stating the grounds on which the application has been refused and the process for appealing against that decision.
9. No person may undertake a regulated banking service within or from the Kingdom of Bahrain unless duly licensed by the CBB (see Rule LR-1.1.1).
10. All applicants for conventional bank licenses must satisfy the CBB that they meet the minimum criteria for licensing, as contained in Chapter LR-2.
11. A conventional bank licensee must not carry on any commercial business in the Kingdom of Bahrain or elsewhere other than banking business and activities directly arising from or incidental to that business (see Rule LR-1.1.11).



Form 1 (Phase 1): DECLARATION

We certify that we have read and understood the provisions of the CBB Law, Decree No. 64 of 2006 (and any regulations issued thereunder). In particular, (i) we are aware that it is an offence under the above law fraudulently or negligently to provide to the Central Bank of Bahrain (CBB) any information which is false or misleading in connection with an application for a license or otherwise; and (ii) we are aware that it is an offence to carry on the business for which a license is hereby sought without such license being granted.

We certify that the information given in answer to the questions above is complete and accurate to the best of our knowledge and belief and that there are no other facts relevant to this application of which the CBB should be aware. We also confirm that no business of the type for which this license is now sought will be carried on by us prior to obtaining such license.

We undertake to inform the CBB of any changes material to the application that may arise while the CBB is considering the application (see Volume 1 of the CBB Rulebook, LR-3.1.12). We further undertake that, in the event that the institution is granted the license which is hereby sought, we will notify the CBB of any material changes to or affecting the completeness or accuracy of, the information provided in Form 1 as soon as possible, but in any event no later than 21 days from the day that the changes come to our attention.

This declaration must be signed by at least two major proposed controllers (with an interest in the future licensee in excess of 10%). In the case of corporate controllers, the declaration must be signed by 2 directors and bear the corporate seal.

WHERE PROPOSED CONTROLLER IS AN INDIVIDUAL:

_____	_____	_____
Name of applicant (please print name)	Signature of applicant	Date
_____	_____	_____
Name of applicant (please print name)	Signature of applicant	Date

WHERE PROPOSED CONTROLLER IS A CORPORATE BODY:

_____	_____	_____
Director (print name)	Signature of director	Date
_____	_____	_____
Director (print name)	Signature of director	Date
_____	_____	_____
Director (print name)	Signature of director	Date
_____	_____	_____
Director (print name)	Signature of director	Date



Form 1 (Phase 1): Contact Information

Please provide full contact details of person(s) with whom the CBB can communicate with, regarding this application.

Name: _____

Title: _____

Capacity¹: _____

Tel: _____

Fax: _____

E-mail: _____

¹ (e.g. proposed director or senior executive officer of applicant)



Form 1 (Phase 1): Checklist

Document	Attached	
1. If the applicant is an existing registered company, a copy of the applicant's commercial registration (cf. Section II.3)	Yes	No
2. If the applicant is an existing corporate body, a certified copy of a Board resolution, confirming the decision to seek a CBB conventional bank license (cf. Section II.4)	Yes	No
3. If the applicant is part of a regulated group or an overseas (branch) applicant, a letter of non-objection to the proposed license application from the applicant's home supervisor (cf. Section II.5)	Yes	No
4. Application for Authorisation for Controller (Form 2) (cf. Section V.1)	Yes	No
5. Application for Approved Person Status (Form 3) for all members of the Board of directors of the proposed licensee (cf. Section VI.1)	Yes	No
6. Proposed organisation chart (cf. Section VI.2)	Yes	No
7. Business Plan (cf. Section VII.3)	Yes	No
8. Copies of the audited financial statements of the applicant's major shareholder and/or group (in the case of a branch applicant, of the head office) for the 3 years immediately prior to the date of application (cf. Section VII.4)	Yes	No



Form 1 (Phase 1): Section I – License Type

Please select applicable license sub-category (please tick appropriate box)

	Bahraini Conventional Bank Licensee (i.e. Bahrain incorporated company)	Overseas Conventional Bank Licensee (i.e. branch presence)
<u>Retail Bank</u> (Refer Section LR-1.2)		
<u>Wholesale Bank</u> (Refer Section LR-1.2)		



Form 1 (Phase 1): Section II – Licensee Details

1. Proposed name of licensee

2. If the applicant is a corporate body, date of incorporation

3. If the applicant is an existing registered company, a copy of the applicant's commercial registration must be attached. (LR-3.1.5 (d), or (e)).

Attached

Yes No Not Applicable

4. If the applicant is an existing corporate body, a certified copy of a board resolution of the applicant, confirming its decision to seek a CBB conventional bank license must be attached (LR-3.1.5 (f)).

Attached

Yes No Not Applicable

5. In the case of an applicant that is part of a regulated group or an overseas branch, a letter of non-objection to the proposed license application from the applicant's home supervisor, together with a confirmation that the group is in good regulatory standing and is in compliance with applicable supervisory requirements, including those relating to capital requirements must be attached (LR-3.1.5 (g) & (h)).

Attached

Yes No Not Applicable

6. Details of any judgement debt, scheme(s) of arrangement(s), receivership, bankruptcy, insolvency, administration, voluntary/compulsory liquidation petition etc, for the institution, or any member of its group, within the last 10 years.

7. Details of any non-routine inspection /investigation carried out by any regulatory or professional body into the affairs of the institution or any member of its group within the last 5 years.



8. Details of any criminal or administrative convictions, censures or fines, both public and private, against the institution or any member of its group within the last 10 years.

9. Details of refusal of entry into, expulsion from, or withdrawal of application made for membership of, any professional body or trade association relevant to the business of the institution within the last 10 years.

10. Details of any current or likely litigation (or matter of dispute with any authority, including taxation authorities) which may have a material effect on the institution or any member of its group.



Form 1 (Phase 1): Section III – Legal Status (commercial registration)

Please select one ✓

1. Type of company (Ref. Section LR-2.1)

- *Retail Bank*

B.S.C

Branch

- *Wholesale Bank*

B.S.C

Branch



Form 1 (Phase 1): Section IV – Conventional Banking Activities

1. Please select the regulated banking services that the proposed licensee wishes to undertake (refer Sections LR-1.1 and LR-1.3).

Determinant activities

1. Deposit-taking	Yes	No
2. Providing credit	Yes	No

Supporting activities

3. Accepting Shari'a money placements	Yes	No
4. Managing Shari'a profit/loss sharing investment accounts	Yes	No
5. Offering Shari'a Financing Contracts	Yes	No
6. Dealing in financial instruments as principal	Yes	No
7. Dealing in financial instruments as agent	Yes	No
8. Managing financial instruments	Yes	No
9. Safeguarding financial instruments	Yes	No
10. Operating a Collective Investment Undertaking	Yes	No
11. Arranging deals in financial instruments	Yes	No
12. Advising on financial instruments	Yes	No
13. Providing money exchange/remittance services.	Yes	No



14. Issuing/ administering means of payment	Yes No
Other ancillary activities	Please specify (use continuation sheet if necessary): _____ _____ _____ _____ _____
<p>2. Does the applicant wish to establish a branch or subsidiary outside Bahrain?</p> <p>Yes No</p> <p>If yes, please provide details:</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p>	
<p>3. On which date does the applicant wish to start banking activities in Bahrain?</p> <p>_____</p>	

- To qualify as a conventional bank licensee, both the activities of deposit taking and providing credit must be undertaken. For retail banks, the activity of providing credit must also account for a significant part of their business (e.g. loans and equivalent products must account for 20% or more of total assets): see Rule LR-1.2.5.

- Conventional retail banks may undertake transactions in any currency, with both Bahraini residents and non-residents. However, they may only undertake activities 3 to 5, when dealing with residents, with the Government of Bahrain and Bahrain Public Sector Entities (as defined in the Guidelines for completion of the Prudential Information Reports), and other CBB licensees: see Rule LR-1.2.27.

- Conventional wholesale banks may only undertake transactions in Bahraini Dinar and/or with a resident of the Kingdom of Bahrain, where they come under the following category of regulated service and satisfy the size thresholds specified: (i) for deposit or credit transactions (i.e. those transactions falling under regulated services 1 and 2 above), where the value of the individual transaction is BD 7 million or more (or its equivalent in foreign currency); (ii) for investment-business transactions (i.e. those falling under regulated services 6–12 above), where the value of the individual transaction is USD 250,000 or more. Dealings with the Government of Bahrain, Bahrain Public Sector Entities and CBB bank licensees are exempt from this restriction. Wholesale banks may undertake foreign currency denominated transactions with non-residents without restriction. In addition to the above restrictions, conventional wholesale bank licensees may only undertake activities 3 to 5, when dealing with residents, with the Government of Bahrain and Bahrain Public Sector Entities (as defined in the Guidelines for completion of the Prudential Information Reports), and other CBB licensees: see Rule LR-1.2.27.



Form 1 (Phase 1): Section V – Controllers (Owners)

<p>1. Please complete the Application for Authorisation for Controller (Form 2) in respect of all controllers (GR-5).</p> <p>List all names (including any previous names) of all beneficial controllers (owners) and ultimate beneficial controllers, (current & proposed) together with the percentage and nature of control (e.g., number and class of shares) (to be) held directly or on their behalf (publicly held corporations need only list those beneficial shareholders owning over 10% of their shares).</p> <p>Name: _____</p> <p>Nature of control: _____</p> <p>Shareholder Other (please specify) _____</p> <p>Percentage of control: _____</p>	<p>Form 2 Attached</p> <p>Yes No</p>
<p>Name: _____</p> <p>Nature of control: _____</p> <p>Shareholder Other (please specify) _____</p> <p>Percentage of control: _____</p>	<p>Yes No</p>
<p>Name: _____</p> <p>Nature of control: _____</p> <p>Shareholder Other (please specify) _____</p> <p>Percentage of control: _____</p>	<p>Yes No</p>
<p>Name: _____</p> <p>Nature of control: _____</p> <p>Shareholder Other (please specify) _____</p> <p>Percentage of control: _____</p>	<p>Yes No</p>
<p>If additional beneficial controllers please complete an additional sheet</p>	



Form 1 (Phase 1): Section VI – Management and Board Details

1. Please complete an Application for Approved Person Status (Form 3) for all members of the Board of directors of the proposed licensee.

Attached

Yes No Not Applicable

2. Provide details of the management structure (organisation chart) and proposed staff of the company.

Attached

Yes No Not Applicable



Form 1 (Phase 1): Section VII – Financial Resources

1. Detail below the proposed paid in and authorised and share capital or any other form of capital and the method of capitalisation. (Module CA).

2. Detail the origin of source(s) of funds to support the conventional bank licensee.

3. Business Plan (see guidance under Appendix I)

Attached
Yes No

4. Copies of the audited financial statements of the applicant’s major shareholder and/or group, (in the case of a branch applicant, of the head office) for the 3 years immediately prior to the date of application (LR-3.1.5 (i) or (j))

Attached
Yes No Not Applicable



Form 1 (Phase 1): Section VIII – Accounts

1. When will the company produce its first set of audited accounts?

Provide justification if year-end is different than 31 December.

Year end _____

If other than 31 December, please provide justification.



Form 1 (Phase 1): Appendix I – Business Plan Requirements (cf. LR-3.1.6)

Business Plan

Attach a business plan that includes, as a minimum, the following:

Background

- History of the applicant and its shareholders; the reasons for applying for a license in Bahrain; and a description of the legal entity structure of the group (where relevant).

Operations

- A summary of the proposed licensee: its corporate form, organisation structure and range of regulated activities to be undertaken.
- A summary of planned accounting, valuation and provisioning policies.
- Details of any other business to be undertaken (where relevant).

Financial Projections

Financial projections and all related assumptions, covering at least the first 3 years of operations of the applicant following licensing. These should include, where appropriate:

- Forecast profit and loss account, broken down into its main components;
- Forecast balance sheet, broken down into its main components, and including details of off-balance sheet items
- Regulatory capital adequacy calculations, based on the above projections, demonstrating compliance with the CBB's requirements; and
- Stress and scenario testing, showing the impact of different assumptions in terms of asset and revenue growth, profitability and capital adequacy.

Risk Management

An assessment of the risks that the applicant is likely to incur.

An explanation of the applicant's strategy for managing those risks, and a summary of the key risk policies, systems and controls, and limits to be applied.



Market Research

The applicant's strategy and market objectives.

Confirmation that the financial projections are consistent with the market research undertaken (which should be identified).

Description of all products and methods of marketing and distribution.

Board of Directors and employees

- Board of Directors and employees
- A summary of proposed recruitment, remuneration and training policies