



PUBLIC DISCLOSURE REQUIREMENTS MODULE



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MODULE	PD: Public Disclosure Requirements
CHAPTER	PD-A: Introduction

PD-A.1 Purpose

PD-A.1.1 The purpose of this Module is to set out the rules and guidelines that the banks should adhere to in order to enhance corporate and financial transparency through better public disclosure.

PD-A.1.2 This Module provides support for certain other parts of the Rulebook, mainly:

- (a) Principles of Business (Module PB);
- (b) High-level Controls (Module HC);
- (c) Audit Firms (Module AU);
- (d) CBB Reporting Requirements (Module BR);
- (e) Capital Adequacy (Module CA);
- (f) Business and Market Conduct (Module BC); and
- (g) Risk Management (i.e. market, credit, liquidity and operational) (Module OM).

PD-A.1.3 This Module also provides support for certain aspects relating to disclosure requirements stipulated in the Decree No. 64 of 2006 of the Central Bank of Bahrain and Financial Institutions Law 2006 ('CBB Law') and the Bahrain Commercial Companies Law of 2001 (as amended).

Legal Basis

PD-A.1.4 This Module contains the CBB's Directive relating to public disclosure and is issued under the powers available to the CBB under Article 38 of the Central Bank of Bahrain and Financial Institutions Law 2006 ('CBB Law'). The Directive in this Module is applicable to all conventional bank licensees.

PD-A.1.5 For an explanation of the CBB's rule-making powers and different regulatory instruments, see Section UG-1.1.



MODULE	PD: Public Disclosure Requirements
CHAPTER	PD-A: Introduction

PD-A.2 Key requirements

General guidance and best practice

PD-A.2.1 **Section PD-B.1** lists the key guidance papers on disclosure as issued by the Basel Committee on Banking Supervision and International Organisation of Securities Commissions. These papers serve as international best practice in financial and other disclosures.

Annual audited financial statements (annual reports)

PD-A.2.2 Locally incorporated banks are required to publish their audited financial statements per the rules set out in the **CBB law**, Bahrain Commercial Companies Law of 2001 (as amended) and the Bahrain Stock Exchange regulations. The audited financial statements should be prepared in accordance with IAS.

PD-A.2.3 Locally incorporated banks must, in their Annual Reports, provide timely information which facilitates market participants' assessment of them. There are seven broad categories of information (as set out in **Section PD-1.3** and **Section PD-1.4**), each of which should be addressed in clear terms and with appropriate details to help achieve a satisfactory level of bank transparency.

Annual disclosure in the annual audited financial statements of banks listed on the Bahrain Stock Exchange (BSE)

PD-A.2.4 The Directors' Report attached to the annual financial statements of banks (referred to under **Section PD-1.4**) should contain details of the interests of **Directors**, chief executive officers and managers (persons as defined under **Section HC-2.1**, respectively) in the shares of such banks. Such details should include:

- (a) **T**otal interests in the shares of such banks by individual persons mentioned above, and
- (b) **C**hanges in such interests from the previous financial year to the current financial year.



MODULE	PD: Public Disclosure Requirements
CHAPTER	PD-A: Introduction

Semi-annual disclosure by commercial branches of foreign banks

PD-A.2.5 Branches (referred to under **Section PD-2.2**) are required by the **Central Bank** to prepare and disclose to the public the following information (in the same format as their Annual Audited Accounts) for their Bahrain operations on a semi-annual basis:

- (a) Balance Sheet, and
- (b) Profit and Loss Accounts

Publication of reviewed (unaudited) quarterly financial statements

PD-A.2.6 Locally incorporated banks should prepare reviewed (unaudited) quarterly financial statements on a quarterly basis in accordance with International Accounting Standard 34 (Interim Financial Reporting). Such statements should be in the same form, and should be prepared on the same basis, as is required by Bahrain law for banks' annual published financial statements.

Disclosure of interest rates

PD-A.2.7 The **Central Bank** requires all FCBs to display, by a conspicuous notice, their current effective rate of interest and charges.

Disclosure relating to Deposit Protection Schemes (the 'Scheme')

PD-A.2.8 The **Central Bank** requires all FCBs to give prominence to the protection of **deposits** afforded under the Deposit Protection Scheme (see **Chapter CP-2**) - for example in related marketing materials and in general notices featured within banking halls and in account documentation, including audited financial statements.

Public disclosure via the internet

PD-A.2.9 Non-listed locally incorporated wholesale banks may apply to the **Central Bank** to disclose their quarterly financial statements via the Internet. If a non-listed locally incorporated wholesale bank wishes to cease disclosure of quarterly financial statements via the local press and use the internet instead, it must satisfy the criteria in Paragraph PD-5.1.2.



MODULE	PD: Public Disclosure Requirements
CHAPTER	PD-A: Introduction

PD-A.3 **Module History**

PD-A.3.1 This Module was first issued in July 2004 by the BMA as part of the conventional principles volume. Any material changes that have subsequently been made to this Module are annotated with the calendar quarter date in which the change was made. Chapter UG-3 provides further details on Rulebook maintenance and version control.

PD-A.3.2 When the CBB replaced the BMA in September 2006, the provisions of this Module remained in force. Volume 1 was updated in October 2007 to reflect the switch to the CBB; however, new calendar quarter dates were only issued where the update necessitated changes to actual requirements.

PD-A.3.3 The most recent changes made to this Module are detailed in the table below:

Summary of changes

Module Ref.	Change Date	Description of Changes
PD-5	Jan 2005	New Internet Disclosure rules.
PD-4.1	Jul 2005	Small definition change to consumer loans.
PD-2.1, PD-3.1	Jan 2006	Revised notification requirements for disclosures.
PD-3.1	April 2006	Specific requirements to disclose changes in shareholders' equity.
PD-A.1.4	10/2007	New Rule PD-A.1.4 introduced categorising this Module as a Directive.
PD-1.3	10/2007	New Rule PD-1.3.12 requiring disclosure of penalties paid

Evolution of the Module

PD-A.3.4 Prior to the development of this Rulebook, the Central Bank had issued various circulars representing regulations covering different aspects of public disclosure requirements. These circulars have now been consolidated into this Module covering regulations relating to public disclosure requirements. These circulars and their evolution into this Module are listed below:

Circular Ref.	Date of Issue	Module Ref.	Circular Subject
EDBC/14/96	17 Jan 1996	PD-B.2	Public Disclosure of the Trading and Derivatives Activities of Banks and Securities Firms.
BC/2/99	21 Feb 1999	PD-1.3, PD-3.2	Public Disclosure.
BC/3/02	13 Mar 2002	PD-1.3	Additional Public Disclosure Requirements Amended Version – 2002.
no reference (partial)	Apr 1981	PD-1.5	Precious Metals and Commodities.



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PD-A.3 Module History (continued)

Evolution of the Module

Circular Ref.	Date of Issue	Module Ref.	Circular Subject
CBB/751/93	8 Jul 1993	PD-1.1, PD-1.3, PD-1.4, PD-3.2	Directors' Interest in the Shares of, and the Unaudited Quarterly Financial Statements of, Locally Incorporated Banks Quoted on the Bahrain Stock Exchange.
EDBC/782/93	17 Jul 1993	PD-1.1	The Interests of Directors, Chief Executive and Senior Managers in the Shares of Locally Incorporated Banks Quoted on the Bahrain Stock Exchange.
BC/1/99	22 Feb 1999	PD-2.2	Enhancing Bank Transparency.
OG/73/02	17 Feb 2002	PD-4.2	Duty to Display Current Effective Rate of Interest.
OG/50/92	4 Mar 1992	PD-4.2	Consumer Finance.
OG/107/01	3 Mar 2001	PD-4.3	Disclosure of BD Interest Rates
OG/425/94	21 Dec 1994	PD-4.4	Deposit Protection
OG/423/93	28 Nov 1993	PD-4.4	Deposit Protection Scheme (the 'Scheme')

Effective date

PD-A.3.5

The contents in this Module are effective from the date depicted in the original circulars (see **Paragraph PD-A.3.4**) or from the date of change shown in PD-A.3.3.



MODULE	PD: Public Disclosure Requirements
CHAPTER	PD-B: General guidance and best practice

PD-B.1 Guidance provided by other international bodies

Basel Committee on Banking Supervision: Various papers

PD-B.1.1 The papers below are to be taken as guidance by **licensee** in order to improve public disclosure practices.

PD-B.1.2 The Basel Committee on Banking Supervision has issued various papers in relation to the subject matter of this Module. These papers are listed as below:

- ‘Enhancing Bank Transparency’ – September 1998 (see www.bis.org/publ/bcbs41.pdf)
- ‘Sound Practices for Loan Accounting and Disclosure’ – July 1999 (see www.bis.org/publ/bcbs55.pdf)
- ‘Best Practices for Credit Risk Disclosure’ – September 2000 (see www.bis.org/publ/bcbs74.pdf)

PD-B.1.3 In addition, the Basel Committee, in conjunction with the International Organisation of Securities Commissions (IOSCO) has issued the following papers that relate to the subject matter of this Module:

- ‘Public Disclosure of the Trading and Derivatives Activities of Banks and Securities Firms’ – November 1995 (see www.iosco.org document no. IOSCO PD48)
- ‘Recommendations for Public Disclosure of Trading and Derivatives Activities of Banks and Securities Firms’ – October 1999 (see www.bis.org/publ/bcbs48.pdf)
- ‘Intra-group Transactions and Exposure Principles’ – December 1999 (see www.bis.org/publ/bcbs62.pdf)
- ‘Risk Concentrations Principles’ – December 1999 (see www.bis.org/publ/bcbs43.pdf)



MODULE	PD: Public Disclosure Requirements
CHAPTER	PD-1: Annual disclosure requirements

PD-1.1 Introduction

PD-1.1.1 The purpose of this Chapter is to set out the **Central Bank**'s requirements relating to the disclosure of information in the bank's annual audited financial statements ('Annual Report'). This Chapter also refers to the Bahrain Commercial Companies Law of 2001 (as amended) and the Bahrain Stock Exchange regulations relating to public disclosure and reporting requirements.

PD-1.1.2 For the purpose of this Module, the following definitions apply:

- (a) **'Director'** includes any person who occupies the position of a **Director** and any person who appears to the **Central Bank** to be a **Director** (howsoever called) of the applicant/licensed locally incorporated bank and its subsidiaries;
- (b) **'Chief Executive/General Manager'** means a person who is responsible under the immediate authority of the **Directors** for the conduct of the applicant/licensed locally incorporated bank, including its subsidiaries and overseas branches, and Bahrain branches of foreign banks;
- (c) **'Manager'** means a person who, under the immediate authority of a **Director** or the chief executive/general manager, exercises major managerial functions or is responsible for maintaining accounts or other records of the applicant/licensed bank; and
- (d) **'Interest in the shares'** shall include, but not be limited to, direct and/or indirect ownership of such shares, the right of voting associated with such shares, the right to receive dividends payable on such shares, and/or any right, regardless of the form thereof, to purchase (or otherwise acquire an interest in) such shares at any time.



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CHAPTER	PD-1:	Annual disclosure requirements

PD-1.2 **Publication of annual audited financial statements (Annual Reports)**

PD-1.2.1

Locally incorporated banks are required to publish their audited financial statements per the rules set out in the **CBB law**, Bahrain Commercial Companies Law of 2001 (as amended) and the Bahrain Stock Exchange regulations (this latter obligation only applies to banks listed on the Bahrain Stock Exchange). The audited financial statements should be prepared in accordance with IAS.



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CHAPTER	PD-1: Annual disclosure requirements

PD-1.3 Disclosure in the annual audited financial statements (Annual Reports)

Introduction

PD-1.3.1

Banks (referred to under **Section PD-1.2**) should, in their Annual Reports, provide timely information which facilitates market participants' assessment of them. There are seven broad categories of information (as set out in **Paragraphs PD-1.3.5 to PD-1.3.11** and **Section PD-1.4**), each of which should be addressed in clear terms and with appropriate details to help achieve a satisfactory level of bank transparency.

PD-1.3.2

The disclosure requirements listed in Paragraphs **PD-1.3.5 to PD-1.3.11** and **Section PD-1.4** below are in addition to or serve to clarify the disclosure requirements of IASs. These requirements may be:

- (a) **I**ntegrated into the Notes to the Accounts; or
- (b) **A**ddressed in the Directors' Report.

PD-1.3.3

The **Central Bank** requires that all banks referred to under **Section PD-1.2** should maintain an up-to-date checklist of all applicable International Accounting Standards (IASs) (including disclosure requirements) and the requirements set out in this Section for full compliance purposes.

PD-1.3.4

If a bank is not able to achieve full compliance with the requirements stated in this Chapter, a meeting should be held with the Director of Banking Supervision Directorate at the **Central Bank** in the presence of the concerned external auditors to discuss the reasons for such non-compliance prior to the finalization of the Annual Report.



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CHAPTER	PD-1: Annual disclosure requirements

Financial performance and position

PD-1.3.5

The following information relating to the financial performance and position of the bank should be included:

- (a) **D**iscussion of the main factors that influenced the bank's financial performance for the year, explaining any differences in performance between the current year and previous years and the reasons for such changes, and discussing factors that will have a significant influence on the bank's future financial performance;
- (b) **B**asic quantitative indicators of financial performance such as **ROAE**, **ROAA**, **NIM**, cost-to-income ratios etc. for the past 5 years;
- (c) **A** discussion of the impact of acquisitions of new businesses;
- (d) **Q**uantitative information about own funds and its components (tier-1, tier-2, tier-3 capital), risk weighted assets, risk asset ratio and debt to equity ratio both on an average basis over the period and at year end;
- (e) **T**he impact of changes in the capital structure on earnings and dividends;

Corporate governance and transparency

PD-1.3.6

The following information relating to corporate governance should be included in the bank's Annual Report:

- (a) **I**nformation about the Board structure (e.g. the size of the Board, Board committees, and membership), and the basic organisational structure (lines of business structure and legal entity structure);
- (b) **I**nformation about the profession, business title, and experience in years of each Board member and the qualifications and experience in years of senior executives, including Chairmen, Chief Executives and General Managers (see **Section PD-1.1** for definitions);



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CHAPTER	PD-1: Annual disclosure requirements

- (c) **D**escriptive information on:
- (i) **T**he managerial structure, including:
 - 1. committees (see **Section HC-1.3** for detailed disclosure requirements relating to various types of committees),
 - 2. segregation of duties,
 - 3. reporting lines, and
 - 4. responsibilities;
 - (ii) **I**ncentive structure (remuneration policies, executive compensation, stock options, etc.);
 - (iii) **T**he structure and organisation of the credit risk management function, including the loan review function; and
 - (iv) **O**ther related internal controls including internal audit;
- (d) **N**ature and extent of transactions with affiliates and related parties;
- (e) **A**pproved Board's communications strategy (including the use of the bank's website) which should undertake to perform at least the following:
- (i) the disclosure of all relevant information to stakeholders on a timely basis in a timely manner; and
 - (ii) the provision of at least the last three years of financial data on the bank's website.

Banks are encouraged to maintain a website. If a bank does not have a website, it must state in its strategy how it will make all relevant information available to **shareholders** and stakeholders on a timely basis; and

- (f) **I**nformation about any changes in the structures (as mentioned in **Paragraphs PD-1.3.6(a) to PD-1.3.6(c)** above) from prior periods.



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CHAPTER	PD-1: Annual disclosure requirements

Risk management strategies and practices

PD-1.3.7

The following information relating to the bank's risk management strategies and practices should be included in the Annual Report:

- (a) **D**iscussion of the overall risk management philosophy, overall policy and methodologies, the nature of risks in activities and how risks arise in those activities, how (in high-level terms) these risks are managed and controlled; and
- (b) **D**iscussion of risk measurement and monitoring processes, the use of risk-mitigating tools (collateral, guarantees, credit insurance, netting agreements, managing concentrations, credit derivatives), limits (e.g., credit limits, market risk limits), and periodic review of exposures.

Credit risk exposures

PD-1.3.8

The following information relating to *credit risk* should be included in the bank's Annual Report:

- (a) **D**etails on how the bank manages credit risk and information on whether or not strategies used have been effective;
- (b) **D**escriptive information about the business lines that create credit risk, the bank's strategies regarding those business lines, and the nature and composition of the exposures that arise;
- (c) **T**he magnitude of the bank's current credit exposure on an aggregate basis, as well as its significant components; and
- (d) **Q**uantitative and qualitative information on the use of credit scoring and portfolio credit risk measurement models. More specifically, descriptive information about the types of models, portfolio(s) covered and size of portfolio(s), and quantitative and qualitative information about the credit risk measurement models used, including model parameters (e.g. holding period, observation period, confidence interval etc.), their performance over time, model validation, back testing and stress testing information;



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CHAPTER	PD-1: Annual disclosure requirements

- (e) **S**ummary information about internal rating processes and explanation of the loss concept used and how internal ratings are used in the bank's internal capital allocation process, and based on these internal credit rating processes, summary information on the quality of on- and off-balance sheet credit exposures, including a discussion of counterparty and internal credit rating (information about credit exposures based on external rating is encouraged, however, proprietary information is not expected);
- (f) **H**igh-level descriptive information on the techniques and methods used for managing past due and impaired assets, including the procedures for credit quality classifications and practices and procedures to determine provisions and to evaluate the adequacy of credit loss provisions (both general and specific);
- (g) **Q**uantitative information about gross positions by major business segments (e.g. lending, investments, trading, leasing and off-balance sheet exposures). Such information should include current and future potential exposures, (e.g. for guarantees given and derivatives etc) where appropriate. In addition, maturity breakdowns should be provided (these should be consistent with the maturity bands as required under IAS but should also be extended to include 5-10 years, 10-20 years and 20 years and over), as well as average balances for the current period (as distinct from end of period balances) where materially different;
- (h) **Q**uantitative information about the composition of on- and off-balance sheet credit exposures to:
- (i) **M**ajor types of counterparty, including domestic and foreign governments, domestic and foreign corporates, consumers, and other financial institutions (such information should be provided without taking account of the effects of credit risk mitigation techniques),
 - (ii) **I**ntragroup transactions and exposures to related parties, **D**irectors and **S**hareholders (separately identified) and whether such transactions have been made on an arms length basis, and
 - (iii) **H**ighly leveraged institutions and other high-risk counterparties (separately disclosed);



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- (i) **Q**uantitative information concerning concentrations of credit risk, and the magnitude of concentrations of credit exposures in different types of counterparty;
- (j) **C**omprehensive quantitative information about the non-performing loans or other impaired and past due loans:
 - (i) **A**geing schedule (over 3 months, over 1 year, and over 3 years) of past due loans and other assets
 - (ii) **B**reakdown by relevant asset Category, counterparty type and geographic area, and
 - (iii) **W**here applicable, specific, general and other provisions on the major asset categories;
- (k) **A**ggregate quantitative information about credit facilities that have been restructured, during the period, including:
 - (i) **T**he balance of any restructured loans,
 - (ii) **T**he magnitude of any restructuring activity,
 - (iii) **T**he impact of restructured credit facilities on provisions and present and future earnings, and
 - (iv) **T**he basic nature of concessions on all credit relationships that are restructured, including loans, derivatives and other on- and off-balance sheet activities,

If full repayment is expected, the restructured credit need not be disclosed in this Section after satisfactory performance for a period of six months in accordance with the modified terms;
- (l) **A**n individual breakdown of movement of general and specific provisions and interest in suspense, and the key methodologies assumptions behind how these provisions are determined (including historical experience, current market conditions and trends);
- (m) **Q**uantitative and qualitative information about the use of credit derivatives and other instruments (e.g. netting agreements and guarantees received) that mitigate and reallocate credit risk. Information should include:
 - (i) **D**iscussion of how instruments are used, including strategy and objectives,
 - (ii) **N**otional amounts and fair value of instruments,



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- (iii) Amount of credit risk bought and/or sold,
- (iv) Breakdown by type of instrument (e.g., total return swap, credit default swap, or other credit derivatives), and
- (v) Where instruments are recorded (i.e., trading vs. banking book);
- (n) Quantitative information on securitised assets under the management of the bank, the amount and type of assets securitised, and the amount of risks or assets retained, details of subordinated or first loss assets retained, and any other recourse provisions; and
- (o) Quantitative information concerning obligations with respect to recourse transactions (i.e. where the asset has been sold, but the bank retains responsibility for repayment if the original counterparty defaults or fails to fulfil obligations). Information should include the amount of the assets sold and any expected losses.

Market risk exposures

PD-1.3.9

The following information relating to *market risk* should be included in the bank's Annual Report:

- (a) Detailed quantitative information about the nature and extent of interest rate-sensitive assets and liabilities and off-balance sheet exposures (e.g. breakdown of fixed and floating rate items and the net interest margin earned, and the duration and effective interest rates of assets and liabilities). These disclosures should also identify classes of assets and liabilities, and related gains and losses, in addition to the effect on the value of assets, liabilities and economic equity for a given specific change in interest rates;
- (b) Summarised quantitative information for significant concentrations of foreign exchange exposure by currency, broken down by hedged and unhedged exposures;
- (c) Summarised quantitative information about price related market risk exposure (Value-at-Risk) (i.e., to equity, commodity and other markets), including:
 - (i) The magnitude of the exposure on a weekly or monthly basis,



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- (ii) **T**he maximum and minimum values in the reporting period,
- (iii) **T**he end-of-period values, and
- (iv) **T**he assumptions (and or models) used in calculations (e.g.. confidence level, holding period, etc.);
- (d) **A** histogram (or similar presentation) of the overall daily profits or exposures for aggregate market risk over the reporting period. As an absolute minimum, summarised aggregate quantitative information relating to monthly VaR results giving an overview of the extent of market risk related activities should be presented; and
- (e) **I**nformation showing the performance of any VaR models for the period, in particular giving the number of times actual losses exceeded the VaR estimates of the model(s).

Other risk exposures

PD-1.3.10

The following information relating to *other risks* should be included in the bank's Annual Report:

- (a) **Q**uantitative information about investments in foreign subsidiaries (as included in the Financial Statements Section and representing foreign currency translation risk) supplemented by a discussion about:
 - (i) **T**he nature of the related currency exposure,
 - (ii) **H**ow that exposure has changed from year to year,
 - (iii) **F**oreign exchange translation effects thereon,
 - (iv) **T**he earnings impact of foreign exchange transactions, and
 - (v) **T**he effectiveness of risk management (hedging) strategies;
- (b) **Q**ualitative information about the main types of operational risks including any specific problem that is considered to be individually significant, and how the bank manages and controls such risk;



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- (c) **Q**uantitative information on any material legal contingencies, including pending legal actions, and a discussion and estimate of the potential liabilities, in addition to qualitative information about how the bank manages and controls such risks.

Compliance

PD-1.3.11

The Annual Report should include a declaration by the external auditors that no violations have taken place of:

- (a) **T**he Bahrain Commercial Companies Law of 2001 (as amended);
- (b) **T**he **CBB Law** that might have had a material effect on the business of the bank or on its financial position; and
- (c) **T**he licensing and authorisation requirements and other rules and regulations issued by the **Central Bank**.

In so far as the violations have any material impact on the financial statements of the bank.

PD-1.3.12

The Annual Report must disclose the amount of any penalties paid to the Central Bank during the period of the report together with a factual description of the reason(s) given by the Central Bank for the penalty (see Section EN-1.3). Failure to comply with this requirement will mean that the concerned bank will be required to make the disclosure in the subsequent quarterly financial statement and in the subsequent annual financial statement. A financial penalty for non-disclosure will also be levied upon the concerned bank.



MODULE	PD: Public Disclosure Requirements
CHAPTER	PD-1: Annual disclosure requirements

PD-1.4 Additional disclosure in the annual audited financial statements of banks listed on the Bahrain Stock Exchange (BSE)

PD-1.4.1 The content of this Section is applicable only to locally incorporated banks listed on the Bahrain Stock Exchange (BSE).

PD-1.4.2 The disclosure requirements set out in this Section for banks referred to under **Paragraph PD-1.4.1** are in addition to those set out in **Section PD-1.3**.

*Interests of **Directors**, chief executive officers and managers*

PD-1.4.3 Without prejudice to any other requirement of Bahrain law (or any other direction of the **Central Bank**), the Directors' Report Section of the annual audited financial statements of banks should contain details of the interests of **Directors**, chief executive officers and managers (persons as defined under **Section PD-1.1**, respectively) in the shares of such banks. Such details should include:

- (a) **T**otal interests in the shares of such banks by individual persons mentioned above, and
- (b) **C**hanges in such interests from the previous financial year to the current financial year.

PD-1.4.4 For the purpose of the disclosure required under **Paragraph PD-1.4.3**, any interests in the shares of a bank held by the spouse(s) or children of a **Director**, or any other person the control of whose interests in such shares lies ultimately with the **Director**, shall be deemed to be the interests of the relevant **Director**. For a definition of 'interest in the shares', see **Paragraph PD-1.1.2(d)**.



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CHAPTER	PD-1: Annual disclosure requirements

PD-1.5 Disclosure relating to precious metals and commodities trading activities (deleted)

PD-1.5.1 This Section no longer applies.



MODULE	PD: Public Disclosure Requirements
CHAPTER	PD-2: Semi-annual disclosure requirements

PD-2.1 Disclosure by commercial branches of foreign banks

PD-2.1.1 The content of this Section is applicable only to FCB branches (licensed by the **Central Bank**) of foreign banks.

PD-2.1.2 Banks (referred to under **Paragraph PD-2.1.1**) are required by the **Central Bank** to prepare and disclose to the public the following information (in the same format as their Annual Audited Accounts) for their Bahrain operations on a semi-annual basis:

- (a) Balance Sheet, and
- (b) Profit and Loss Accounts.

PD-2.1.3 The statements referred to under **Paragraph PD-2.1.2** should be reviewed by the bank's external auditors, in accordance with International Standards on Auditing (ISA) applicable to Review engagements.

PD-2.1.4 These statements (referred to under **Paragraph PD-2.1.2**) should be published in one local newspaper within eight weeks from the statements' date.

PD-2.1.5 Banks must submit a newspaper copy of the statements (referred to under **Paragraph PD-2.1.2**) to the **Central Bank** within eight weeks from the statements' date. The copy should be accompanied by a letter clearly showing on which date and in which publication(s) the statements were published.



MODULE	PD: Public Disclosure Requirements
CHAPTER	PD-3: Quarterly disclosure requirements

PD-3.1 Publication of reviewed (unaudited) quarterly financial statements

PD-3.1.1 The content of this Section is applicable only to locally incorporated banks licensed by the **Central Bank**.

PD-3.1.2 Banks should prepare reviewed (unaudited) quarterly financial statements on a quarterly basis in accordance with International Accounting Standard 34 (Interim Financial Reporting). Such reviewed quarterly financial statements should be in the same form, and should be prepared on the same basis, as is required by Bahrain law for banks' annual published financial statements.

PD-3.1.3 Banks' unaudited quarterly financial statements should be reviewed by their external auditors who must also make a statement regarding the results of such review. Such review and statement should be made in accordance with the International Standard on Auditing Applicable to Reviews (RSI and RS2) as established by the International Federation of Accountants.

PD-3.1.4 The reviewed quarterly financial statements should be published in one Arabic and one English daily newspaper widely available in Bahrain and/or any other country in which any of its **shareholders** ordinarily reside, within sixty days of the end of the quarter to which such statements relate.

PD-3.1.5 The published quarterly statement must also include a statement of changes in **shareholders'** equity as required by international accounting standards.

PD-3.1.6 Banks must submit a newspaper copy of the statements (referred to under **Paragraph PD-3.1.2**) to the **Central Bank** within 60 days from the statements' date. The copy should be accompanied by a letter clearly showing on which date and in which publication(s) the statements were published.



MODULE	PD: Public Disclosure Requirements
CHAPTER	PD-4: Other public disclosure requirements

PD-4.1 Disclosure of current effective rate of interest on consumer loans

PD-4.1.1 The contents of this Section are applicable to all FCBs licensed by the **Central Bank**.

Display of rates by conspicuous notice

PD-4.1.2 The **Central Bank** requires all FCBs to display, by a conspicuous notice, their current effective rate of interest on consumer loans. This requirement does not extend to overdrafts or revolving credit facilities such as credit cards.

PD-4.1.3 'Consumer loans' are defined in CM-8.3.2.

PD-4.1.4 'Conspicuous notice' means a written statement in both Arabic and English languages which is easily visible and legible and is displayed in all FCB premises open to the public.

PD-4.1.5 FCBs are given discretion as to how the current effective rate of interest is expressed as a calculation (e.g. as a 'base rate' or as a range of rates) as long as the conspicuous notice provides real and meaningful information to the customer.

Advertising of consumer loan facilities

PD-4.1.6 Any advertising of consumer loan facilities offered by the banks should specify only effective rates of interest (including all fees and charges) and not flat rates.

PD-4.1.7 Banks are also asked to take special care to ensure that the content of any advertising material does not mislead or deceive the public in any way.



MODULE	PD: Public Disclosure Requirements
CHAPTER	PD-4: Other public disclosure requirements

PD-4.2 Disclosure of base rate of interest on overdrafts and short-term loans

PD-4.2.1 The content of this Section is applicable to all FCBs licensed by the **Central Bank**.

PD-4.2.2 The **Central Bank** requires all FCBs to display, by a conspicuous notice, their base rate of interest on **BD** overdrafts and short-term revolving facilities to commercial customers. For a definition of 'conspicuous notice', refer to **Section PD-4.1**.

PD-4.2.3 FCBs are left free to decide their own base rate and to make changes to it as they consider appropriate.

PD-4.2.4 FCBs must display a list of current charges including any standard charges and commissions that will be applied by the bank to individual services and transactions. See **Section BC-4.1** for further details.



MODULE	PD: Public Disclosure Requirements
CHAPTER	PD-4: Other public disclosure requirements

PD-4.3 Disclosure relating to Deposit Protection Scheme

PD-4.3.1 The content of this Section is applicable to all FCBs licensed by the **Central Bank**.

PD-4.3.2 The **Central Bank** requires all FCBs referring (directly or indirectly) to the protection of deposits in related marketing materials and in general notices featured within banking halls and in account documentation, including Annual Reports, to prominently disclose the following statement:

- ‘Subject to the provisions thereof, deposits held with the Bahrain office of [name of the banking firm] are covered by the Deposit Protection Scheme established by the **Central Bank** of Bahrain regulation concerning the establishment of a Deposit Protection Scheme and a Deposit Protection Board’.

PD-4.3.3 FCBs should, in discussions and/or correspondence with new and prospective customers, bring the Deposit Protection Scheme and the protection afforded by it to the customer’s notice.

PD-4.3.4 The **Central Bank** welcomes the introduction by the banks, at their discretion, of other appropriate means to promote the Deposit Protection Scheme as prominently as possible.

PD-4.3.5 For detailed guidance on the Deposit Protection Scheme’s documentation requirements, see **Chapter CP-2**.



MODULE	PD: Public Disclosure Requirements
CHAPTER	PD-5: Public Disclosure via the Internet

PD-5.1 Publication and disclosure of financial results

Existing requirements

PD-5.1.1

All locally incorporated banks are required to disclose their quarterly financial statements to the public within 60 days of the end of each quarter. Disclosure to the public should be by way of an announcement in the local press of the balance sheet and profit and loss account (with certain other additional disclosures as outlined in **Chapters PD-1 to PD-4**).

Criteria for application for disclosure via the internet

PD-5.1.2

Non-listed locally incorporated IBs and OBUs may apply to the **Central Bank** to disclose their quarterly financial statements via the internet. If a bank wishes to cease disclosure of quarterly financial statements via the local press, it must satisfy the following criteria:

- (a) The bank has no **shareholder**s resident in Bahrain.
- (b) The bank has no customers resident in Bahrain. Customers include borrowers, depositors, investment account holders or persons from whom the bank earns fees or commissions. 'Customers' in this context would not include other banks, but would include Bahraini corporations, the Government of Bahrain and its agencies, and private individuals (whether high net worth or not).
- (c) The bank does not market itself in any way to residents of Bahrain. In particular, the bank should not market funds or other financial products to residents, even if the bank has no on balance sheet assets or liabilities arising from Bahraini residents.

PD-5.1.3

Banks meeting all of the above criteria may apply to the **Central Bank** to disclose their quarterly financial statements by way of their website instead of by way of the local press.