REPORTING INSTRUCTIONS FOR FORM QPR

This Form was last updated in January 2020

Quarterly Prudential Return (QPR)

Licensees should also refer to the Guidance Notes contained in Form QPR.

Section A

General outstanding liabilities and assets should be reported as the value in the reporting firm's books (i.e. book value) in accordance with the reporting firm's normal accounting practices.

A.1.1 This item includes deposits or balances of the firm maintained with banks in Bahrain and/or other banks outside Bahrain.

A.1.13 Under this item, all assets that cannot be included under items A.1.1 to A.1.12 should be disclosed. However, items under A.1.13 should be disclosed separately if they comprise:
(a) Any loans provided to the staff or partners of the firm; and
(b) The amount of other assets representing 10% or more of A.1.13.

A.2.2 Due to clients refers to the amount, net of expenses, which constitutes the proceeds realised from the sale, redemption or disposal of client assets, as the case may be, and which is payable to the client in proportion to their respective interest in the assets.

A.2.7 Under this item, all liabilities that cannot be included under items B.2.1 to B.2.4 should be disclosed. However, items under B.2.5 should be disclosed separately if the amount of other liabilities represents 10% or more of B.2.5.

A.3.7 All IAS 39 transitional adjustments as of 1st January 2001 should be transferred to retained earnings. Any on-going fair value changes on applicable investments should also be included here.

B.8 [This Paragraph was deleted in January 2020].

Section C

Tier 1: Core capital (Tier 1 capital) should represent at least half of Regulatory Capital, i.e., the sum of Tier 2 plus Tier 3 eligible capital should not exceed total Tier 1 eligible capital.

Tier 2: Supplementary capital (Tier 2) elements may be substituted for tier 3 up to the Tier 3 limit of 250% of Tier 1 capital (as below) in so far as eligible Tier 2 capital does not exceed total Tier 1 capital, and long-term subordinated debt does not exceed 50% of Tier 1 capital.

Tier 3: Ancillary capital (Tier 3 capital) is limited to 250% of an investment firm licensee's Tier 1 capital that is required to support the Position Risk Requirement (PRR).

C.1.3 This item excludes cumulative preference reserves.

C.1.4 This item represents general reserves, including statutory reserves, but excludes revaluation reserves.

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C.1.6 This item includes all earnings for the current year net of dividends declared and tax expenses.

C.2.4 Latent reserves result from differences between the market value and book value of an asset, and should be reported at a discount of 55% when performing CAR calculations.

C.2.5 These provisions will be subject to 1.25% of total requirement and will exclude impairment provision.

C.2.8 This item will be limited to 50% of tier 1 capital and must be stated at book value for the entire term of the loan which must not be less than 5 years.

C.3.1 This item includes short term subordinated debt with an original maturity of at least 2 years.

C.3.2 Regulatory capital refers to capital elements that satisfy the regulatory criteria for admissibility, in the context of calculating compliance with Regulatory Capital Requirements as defined in Module CA-2.

Section D

D.1.1 Annual expenditure should be based on the annual audited financial statements. This item includes interest expenses and total expenses

D.1.3 Relevant annual expenditure will be equal to the total annual expenditure less the following items (items D.1.1.1 to D.1.1.6) of expenditure that could be reduced or eliminated within a short period of time if necessary:
- (a) bonuses paid out of the relevant year's profits which have not been guaranteed;
- (b) profit shares and other appropriations of profit, except for fixed or guaranteed remuneration which is payable even if the investment business licensee makes a loss for the year;
- (c) paid commissions shared, other than to employees, directors, or appointed representatives of the investment business licensee;
- (d) fees, brokerage and other charges paid to clearing houses, clearing firms, exchanges, and intermediate brokers for the purposes of executing, registering or clearing transactions;
- (e) interest payable to counterparties; and
- (f) interest payable on borrowings to finance the investment business licensee's investment business and associated business.

D.1.4 The expenditure requirement should be calculated as equal to one quarter of the relevant annual expenditure.

D.1.5 In accordance with the capital adequacy requirements, this item will be 25% of the relevant annual expenditure at D.1.4.

D.2 The net open foreign currency position is the higher of the aggregate net short open positions and the aggregate net long open positions.

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D.2.2 A net long position is a position in a foreign currency when there is an excess of assets, including spot and future contracts to purchase, over liabilities, including spot and future contracts to sell, in that currency.

D.2.2 A net short position is a position in a foreign currency when there is an excess of liabilities, including spot and future contracts to sell, over assets, including spot and future contracts to purchase, in that currency.

D.2.5 In accordance with the Foreign Exchange Risk requirement, this item will be 10% of the net open foreign currency position run by an investment firm as specified in D.2 above.

D.3.18 Contracts for differences are contracts that provide for the payment of a cash sum reflecting fluctuations in the value of any property, price index or financial instrument.

D.3.23 The PRR is equal to the sum of a licensee's individual PRRs (D.3.7, D.3.12, D.3.14, D.3.21 and D.3.24).

D.4.3 Free delivery refers to a transaction under which a person:
(a) has paid for securities, foreign currencies or commodities before receiving them or it has delivered securities, foreign currencies or commodities before receiving payment for them; and
(b) in the case of cross-border transactions, one day or more has elapsed since it made that payment or delivery.

Free deliveries: From a practical standpoint, an example where this exposure may arise is if Financial Institution A is selling shares in Company C to Financial Institution B. If Financial Institution B pays for the shares immediately and Financial Institution A is to deliver at a future date, Financial Institution B should hold capital for counterparty risk on Financial Institution A in addition to capital for the risk relating to holding Company C shares. Financial Institution B is exposed for the full amount of the value of the shares to Financial Institution A until the securities are delivered.

D.4.7 A margined transaction is a transaction executed by an investment firm licensee with or for a client relating to a future, option or contract for differences (or any right to or any interest in such an investment) under the terms of which the client will or may be liable to provide cash or collateral to secure performance of obligations which he may have to perform when the transaction fails to be completed or upon the earlier closing out of his position.

D.4.14 The CRR is equal to the sum of a licensee's individual PRRs (D.4.2, D.4.4, D.4.6, D.4.9, D.4.11, D.4.12 and D.4.13).

D.4.3

D.5 This item is the sum of items D.1, D.2, D.3 and D.4.

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Section E

E.1 This item is equal to C.3.2, which is the sum of Tier 1, Tier 2 and Tier 3 capital.

E.2 This item is the higher of E.3 and E.4.

E.5 Category 1 and 2 investment firms must notify the CBB if the ratio of regulatory capital to their regulatory capital requirement falls below 110%.

Section F

F.1 CIU under management refers to collective investment undertakings managed by investment firm licensees on behalf of their investors.

F.1.1 This item includes all relevant disclosures about CIUs under management. NAV should include the opening balance as well as the closing balance, to analyse the movements during the year.

F.3 This item includes the details of the number of clients and the value of their assets that the reporting firm has held during the reporting period.

F.4.1 This item includes all large exposures as on the reporting date.

F.5.1 This item includes details of client bank accounts.

F.6.1 Under this item, investment firm licensees shall provide names and details on the size of consolidated subsidiaries held, if any.

F.7.1 Under this item, investment firm licensees shall provide names and details on the size of unconsolidated subsidiaries and special purpose vehicles (SPVs) held, if any.

G.1.2 This item includes details of trades undertaken by the investment firm licensee on its own account.