





# **CAPITAL ADEQUACY MODULE**

 <b>Central Bank of Bahrain Rulebook</b>	<b>Volume 1: Conventional Banks</b>
<b>MODULE:</b>	<b>CA (Capital Adequacy Module)</b>
<b>Table of Contents</b>	


<b>PART 1: Definition of Capital</b>		<b>Date Last Changed</b>
<b>CA-A Introduction</b>		
CA-A.1	Application	01/2011
CA-A.2	Purpose	01/2011
CA-A.3	Capital Adequacy Ratio	01/2011
CA-A.4	Transitional Arrangements	01/2011
CA-A.5	Module History	10/2013
<b>CA-1 Scope and Coverage of Capital Charges</b>		
CA-1.1	Application	01/2008
CA-1.2	Monitoring of Risks	01/2008
CA-1.3	Investments in other Entities and Consolidation	01/2008
CA-1.4	Reporting	01/2008
CA-1.5	Review of Prudential Information Returns by External Auditors	01/2008
<b>CA-2 Regulatory Capital</b>		
CA-2.1	Regulatory Capital	04/2013
CA-2.2	Limits on the Use of Different Forms of Capital	01/2008
<b>PART 2: Credit Risk</b>		
<b>CA-3 Credit Risk – The Standardized Approach</b>		
CA-3.1	Overview	01/2008
CA-3.2	Segregation of Claims	01/2009
	Claims on Sovereigns	01/2008
	Claims on International Organisations	01/2008
	Claims on Non-central Government Public Sector Entities (PSEs)	01/2008
	Claims on Multilateral Development Banks (MDBs)	01/2008
	Claims on Banks	04/2012
	Claims on Investment Firms	01/2008
	Claims on Corporates Including Insurance Companies	01/2009
	Claims Included in Regulatory Retail Portfolios	01/2009
	Claims Secured by Residential Property	01/2008
	Claims Secured by Commercial Real Estate	01/2008
	Past Due Loans	01/2008
	Higher-risk Categories	01/2008
	Investments in Equities and Funds	01/2008
	Other Assets	01/2008
CA-3.3	Off-balance Sheet Items	01/2008




		Date Last Changed
CA-3.4	External Credit Assessments	01/2008
	The Recognition Process and Eligibility Criteria	04/2008
	Multiple Assessment	01/2008
	Issuer Versus Issues Assessment	01/2008
	Domestic Currency and Foreign Currency Assessments	01/2008
	Short-term/Long-term Assessments	01/2008
	Level of Application of the Assessment	01/2008
	Unsolicited Ratings	01/2008
<b>CA-4</b>	<b>Credit Risk – The Standardised Approach – Credit Risk Mitigation</b>	
CA-4.1	Overarching Issues	01/2008
	Introduction	01/2008
	General Remarks	01/2008
	Legal Certainty	01/2008
CA-4.2	Overview of Credit Risk Mitigation Techniques	01/2008
	Collateralised Transactions	01/2008
	On-balance Sheet Netting	01/2008
	Guarantees and Credit Derivatives	01/2008
	Maturity Mismatch	01/2008
	Miscellaneous	01/2008
CA-4.3	Collateral	01/2008
	Eligible Financial Collateral	01/2008
	The Comprehensive Approach	01/2008
	The Simple Approach	01/2008
	Collateralized OTC Derivatives Transactions	01/2008
CA-4.4	On-balance Sheet Netting	01/2008
CA-4.5	Guarantees and Credit Derivatives	01/2008
	Operational Requirements	01/2008
	Range of Eligible Guarantors	01/2008
	Risk Weights	01/2008
	Currency Mismatches	01/2008
	Sovereign Guarantees and Counter Guarantees	01/2008
CA-4.6	Maturity Mismatches	01/2008
	Definition of Maturity	01/2008
	Risk Weights for Maturity Mismatches	01/2008
CA-4.7	Other Items Related to the Treatment of CRM Technique	01/2008

 <b>Central Bank of Bahrain Rulebook</b>	<b>Volume 1: Conventional Banks</b>
<b>MODULE:</b>	<b>CA (Capital Adequacy Module)</b>
<b>Table of Contents</b>	

		<b>Date Last Changed</b>
<b>CA-5</b>	<b>Credit Risk — The Internal Ratings-Based Approach</b>	
CA-5.1	Overview	01/2008
CA-5.2	Mechanics of the IRB Approach	01/2008
	Categorization of Exposures	01/2008
	Foundation and Advanced Approaches	01/2008
	Transition Arrangements	01/2008
CA-5.3	Rules for Corporate, Sovereign, and Bank Exposures	01/2008
	Risk-weighted Assets for Corporate, Sovereign, and Bank Exposures	01/2008
	Risk Components	01/2008
CA-5.4	Rules for Retail Exposures	01/2008
	Risk-weighted Assets for Retail Exposures	01/2008
	Risk Components	01/2008
CA-5.5	Rules for Equity Exposures	01/2008
	Risk-weighted Assets for Equity Exposures	01/2008
	Risk Components	01/2008
CA-5.6	Rules for Purchased Receivables	01/2008
	Risk-weighted Assets for Default Risk	01/2008
	Risk-weighted Assets for Dilution Risk	01/2008
	Treatment of Purchase Price Discounts for Receivables	01/2008
	Recognition of Credit risk Mitigants	01/2008
CA-5.7	Treatment of Expected Losses and Recognition of Provisions	01/2008
	Calculation of Expected Losses	01/2008
	Calculation of Provisions	01/2008
	Treatment of EL and Provisions	01/2008
CA-5.8	Minimum Requirements for IRB Approach	01/2008
	Composition of Minimum Requirements	01/2008
	Compliance with Minimum Requirements	01/2008
	Rating System Design	01/2008
	Risk Rating System Operations	01/2008
	Corporate Governance and Oversight	01/2008
	Use of Internal Ratings	01/2008
	Risk Quantification	01/2008
	Validation of Internal Estimates	01/2008
	Supervisory LGD and EAD Estimates	01/2008
	Requirements for Recognition of Leasing	01/2008
	Calculation of Capital Charges for Equity Exposures	01/2008
	Disclosure Requirements	01/2008

 <b>Central Bank of Bahrain Rulebook</b>	<b>Volume 1: Conventional Banks</b>
<b>MODULE:</b>	<b>CA (Capital Adequacy Module)</b>
<b>Table of Contents</b>	

		<b>Date Last Changed</b>
<b>CA-6</b>	<b>Credit Risk – Securitisation Framework</b>	
CA-6.1	Scope and Definitions of Transactions Covered under the Securitization Framework	01/2012
CA-6.2	Definitions and General Terminology	01/2008
CA-6.3	Operational Requirements for the Recognition of Risk Transference	01/2008
	Operational Requirements for Traditional Securitisations	01/2008
	Operational Requirements for Synthetic Securitisations	01/2008
	Operational Requirements and Treatment of Clean-up Calls	01/2008
CA-6.4	Treatment of Securitisation Exposures	01/2012
	Calculation of Capital Requirements	01/2012
	Operational Requirements for Use of External Credit Assessments	01/2012
	Standardised Approach for Securitisation Exposures	01/2012
	Internal Ratings-based Approach for Securitisation Exposures	01/2012
 <b>PART 3: Other Risks</b>		
<b>CA-7</b>	<b>Operational Risk</b>	
CA-7.1	The Measurement Methodologies	01/2008
	The Basic Indicator Approach	01/2008
	The Standardised Approach	01/2008
<b>CA-8</b>	<b>Market Risk – Trading Book</b>	
CA-8.1	Definition of the Trading Book	01/2012
CA-8.2	This Section has been moved to CA-16	01/2012
CA-8.3	Treatment of Counterparty Credit Risk in the Trading Book	01/2008

 <b>Central Bank of Bahrain Rulebook</b>	<b>Volume 1: Conventional Banks</b>
<b>MODULE:</b>	<b>CA (Capital Adequacy Module)</b>
<b>Table of Contents</b>	

	<b>Date Last Changed</b>
<b>CA-9 Market Risk – Interest Rate Risk – (STA)</b>	
CA-9.1 Introduction	01/2012
CA-9.2 Specific Risk Calculation	01/2012
CA-9.3 General Market Risk Calculation	01/2008
CA-9.4 Maturity Method	01/2008
Maturity Method: Time-bands and Risk Weights	01/2008
CA-9.5 Duration Method	01/2008
Duration Method: Time-bands and Assumend	01/2008
Changes in Yield	
CA-9.6 Derivatives	01/2008
CA-9.7 Calculation of Derivative Positions	01/2008
Forward Foreign Exchange Contracts	01/2008
Deposit Futures and FRA's	01/2008
Bonds Futures and Forwards Bonds Transaction	01/2008
Swaps	01/2008
CA-9.8 Netting of Derivative Positions	01/2008
CA-9.9 Calculation of Capital Charge for Derivatives	01/2008
<b>CA-10 Market Risk – Equity Position Risk - Standardised Approach</b>	
CA-10.1 Introduction	01/2008
CA-10.2 Calculation of Equity Positions	01/2008
CA-10.3 Specific Risk Calculation	01/2012
CA-10.4 General Risk Calculation	01/2012
CA-10.5 Equity Derivatives	01/2008
Specific Risk on Positions in Equity Indices	01/2008
Counterparty Risk	01/2008
<b>CA-11 Foreign Exchange Risk - Standardised Approach</b>	
CA-11.1 Introduction	01/2008
CA-11.2 De Minimis Exemptions	01/2008
CA-11.3 Calculation of Net Open Positions	01/2008
Structural Positions	10/2013
Derivatives	01/2008
CA-11.4 Calculation of the Overall Net Open Positions	01/2008
CA-11.5 Calculation of the Capital Charge	01/2008
<b>CA-12 Commodities Risk - Standardised Approach</b>	
CA-12.1 Introduction	01/2008
CA-12.2 Calculation of Commodities Positions	01/2008
Netting	01/2008
Derivatives	01/2008
CA-12.3 Maturity Ladder Approach	01/2008
CA-12.4 Simplifies Approach	01/2008



<b>MODULE:</b>	<b>CA (Capital Adequacy Module)</b>
<b>Table of Contents</b>	

	<b>Date Last Changed</b>
<b>CA-13 Treatment of Options - Standardised Approach</b>	
CA-13.1 Introduction	01/2008
CA-13.2 Simplified Approach (Carve-out)	01/2008
CA-13.3 Delta-plus Method (Buffer Approach)	01/2008
Treatment of Delta	01/2008
Where the Underlying is a Debt Security or an Interest Rate	01/2008
Where the Underlying is an Equity Instrument	01/2008
Options on Foreign Exchange and Gold Positions	01/2008
Options on Commodities	01/2008
Calculation of the Gamma and Vega Buffers	01/2008
CA-13.4 Scenario Approach	01/2008
<b>CA-14 Use of Internal Models</b>	
CA-14.1 Introduction	01/2008
CA-14.2 General Criteria	01/2008
CA-14.3 Qualitative Standards	01/2008
CA-14.4 Specification of Market Risk Factors	01/2012
CA-14.5 Quantitative Standards	01/2012
CA-14.6 Backtesting	01/2012
CA-14.7 Stress Testing	01/2012
CA-14.8 External Validation of Models	01/2008
CA-14.9 Letter of Model Recognition	01/2008
CA-14.10 Combination of Internal Models and the Standardised Methodology	01/2008
CA-14.11 Treatment of Specific Risk	01/2012
CA-14.12 Model Validation Standards	01/2012
CA-14.13 Principles for Calculating the IRC	01/2012
<b>CA-15 Gearing Requirements</b>	
CA-15.1 Gearing	04/2008
<b>CA-16 Prudent Valuation Guidance</b>	
CA-16.1 Prudent Valuation Guidance	01/2012

<b>MODULE:</b>	<b>CA (Capital Adequacy Module)</b>
<b>Table of Contents</b>	

	<b>Date Last Changed</b>
Appendix CA-1: The 15% of Tier 1 Limit on Innovative Instruments	01/2008
Appendix CA-2: Treatment of Counterparty Credit Risk and Cross-product Netting	01/2008
Appendix CA-3: Example of Insurance Acquisition	01/2008
Appendix CA-4: Capital Treatment for Failed Trades and Non-DvP Transactions	01/2008
Appendix CA-5: Overview of Methodologies for the Capital Treatment of Transactions Secured by Financial Collateral under the Standardised and IRB Approaches	01/2008
Appendix CA-6: Illustrative IRB Risk Weights	01/2008
Appendix CA-7: Supervisory Slotting Criteria for Specialised Lending	01/2008
Appendix CA-8: Illustrative Examples: Calculating the Effect of Credit Risk Mitigation under the Supervisory Formula	01/2008
Appendix CA-9: Mapping of Business Lines	01/2008
Appendix CA-10: Operational Risk – Example of Calculation of Capital Charge	01/2008
Appendix CA-11: Worked Example of Maturity Method of Calculating General Interest Rate Risk	06/2004
Appendix CA-12: Worked Example of Duration Method of Calculating General Interest Rate Risk	06/2004
Appendix CA-13: Worked Example of Maturity Ladder Approach for Calculating Commodities Risk	06/2004
Appendix CA-14: Worked Example of Delta-Plus Method of Calculating Options Risk	06/2004
Appendix CA-15: Supervisory Framework for the Use of Backtesting in Conjunction with the Internal Models Approach to Market Risk Capital Requirements	01/2008
Appendix CA-16: Table for Mapping Notations of Eligible ECAIs	04/2008
Appendix CA-17: Calculation of Risk Weighted Amount of an Investment Subject to Fair Value Treatment	01/2008
Appendix CA-18: Bahrain Sovereign and Public Sector Entities Eligible for 0% Risk Weighting	04/2008
Appendix CA-19: Stress Testing Guidance for the Correlation Trading Portfolio	01/2012
Appendix CA-20: Supplementary Schedules to Calculate Capital Charges under the Standardised Approach	04/2012