



EDFIS/C/020/2007
31 May 2007

By E-Mail

The General Manager
All Volume 1, 2 and 4 Licensees
Manama
Kingdom of Bahrain

Dear Sir,

New Collective Investment Undertaking Rules

Following the consultation which concluded earlier this year, the CBB is now issuing its new Collective Investment Undertaking rules in final form. The new rules take effect on 1 June 2007, but provide for a one-year transition period for existing undertakings approved by the CBB.

The new rules are contained in a single document, called the Collective Investment Undertakings Module (Module CIU for short). This document forms part of the new rulebook planned for capital markets-related activities, called Volume 6 of the CBB Rulebook.

In addition to Module CIU, we are also issuing at this time tables of contents for Volume 6, as well as a User's Guide Module, a Glossary, and 3 forms relevant to Module CIU. Remaining contents of Volume 6 will be issued as and when they are consulted on and finalised, in a process which is expected to last until at least early 2008. The Volume 6 tables of contents issued today are subject to change, should work on the remaining contents require alterations.

Module CIU replaces existing regulatory instruments relating to collective investment undertakings, which have been issued over the past 15 years: Rule CIU-A.2.3 in Module CIU lists these superseded requirements.

Module CIU updates and collates into a structured format these superseded requirements. It also creates new categories of collective investment undertakings. These include two categories of regulated undertakings, namely retail CIUs (which mostly reflect existing requirements), as well as expert CIUs (which are subject to less restrictive investment rules, but may only be offered to expert investors (as defined in the Module)).

Module CIU also provides for a category of exempt undertakings, which are mostly exempt from CBB regulation, but are required to register with the Central Bank and submit periodic statistical information. Exempt CIUs may only be sold to a highly restricted investor base, called accredited investors (again, defined in the Module).

The new categories of expert and exempt CIUs will provide for a greater range of investment vehicles to be offered and/or domiciled in Bahrain, and reflect the evolution and growth of the investment industry in recent years (such as the rise of hedge funds).

Separately, updated Volumes 1 to 4 of the CBB Rulebook are to be issued in a month's time, to reflect the new CBB Law. Amongst other things, they will also be amended in a few places to reflect the new CIU Module (for instance, by aligning the definition of CIUs, and making administration an activity requiring a license).

The new CIU rules benefited from the wide range of industry comments received during the consultation process, and the CBB looks forward to working with you in implementing these rules. I believe they provide us with a good basis for supporting the further growth of this industry in Bahrain.

Should you have any questions, please do not hesitate to contact either myself, or the Director of the Financial Institutions Supervision Directorate, Mr Mohammed Al Tajer (on 17-547 968).

Yours faithfully,



Abdul-Rahman Al-Baker

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