



EDBS/KH/042/2006
26th April 2006

The Compliance Officer
All Conventional Bank Licensees (FCBs, OBU's & IBs)
Manama
Kingdom of Bahrain

Dear Sir,

BMA Rulebook: Volume 1 – April 2006 Quarterly Update

The latest quarterly update to Volume 1 has now been incorporated in the website version of the Rulebook.¹

Recipients who wish to update their hard copy folders should access the BMA website and print off the relevant pages for insertion into their folder. This cover letter highlights the main changes introduced this quarter. The table attached to this letter lists which pages to print off.

Module Contents Pages

As usual, the contents pages for each Module contained in Part A of Volume 1 have been updated. They now show their current issue date at the bottom right hand corner of the page: i.e. April 2006.

These contents pages also show the current issue date for every Section of a Module. Where a Section has been modified as part of this update, then its current issue date will also have been changed to April 2006. These contents pages therefore act as a summary checklist for Rulebook users.

¹ Volume 1 can be accessed, as usual, from www.bma.gov.bh
(Home > Regulation & Supervision > Rulebook > Volume 1.

Module UG (User's Guide)

To facilitate the updating of the Rulebook, Rulebook pages will, going forward, only show their issue date, and not a version number as well. Only pages actually modified within a Section are given a new issue date; other pages within a Section retain their old issue date until they too are modified. The Module table of contents therefore shows where some or all of a Section has been revised and given a new issue date; the Module History Section within each Module then lists which specific pages were amended.

Other changes

There is a new chapter BC-7 which permits full commercial banks to offer margin trading facilities to clients after approval by the Agency. This replaces circular BC/15/99.

The reporting instructions for monthly and quarterly statistical returns have been amended. Banks must print sections BR-3.3 and 4.1 for Part A and the new instructions in Part B (Appendix BR-1). There is also a new notification requirement for material losses in paragraph BR-5.1.14.

In Module LR, there is a new requirement for new licensees and submission of private placement memorandum documents.

In Module PD, there is a requirement to publish changes in shareholders' equity on a quarterly basis.

In Module OM, we have tidied up and shortened Chapter OM-B (content is still the same) and clarified the role of the board and senior management a little in section OM-2. In OM-5 we have formalised the requirement for the daily inspection of ATMs by bank staff. These changes are listed in the attached table.

Integrated License framework

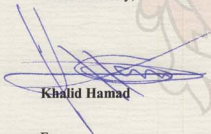
The BMA is in the process of finalising its new integrated license framework. The framework will require various Modules in Volume 1 to be changed, to reflect the new bank license sub-categories (retail / wholesale), which will replace the current sub-categories of FCB, OBU and IBL. BMA expects these modified Modules to be ready by early May, at which point BMA will issue these Modules to every bank, under cover of an individual letter. Banks will also be notified in the letter of their new bank license sub-category; and will be asked to confirm the specific regulated activities that they currently undertake.

Once this process is completed, banks will be issued their new license certificates and notified of the switchover date. The modified Modules will then be posted on the BMA website. Because this is expected to take place well before the next quarterly update of the Rulebook (in July), the modified Modules will be dated April 2006.

Further information

Should you have any queries regarding these updates, you may contact the BMA Rulebook team (at rulebook@bma.gov.bh), or else please speak to your normal supervisory contact.

Yours faithfully,



Khalid Hamad

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BMA Rulebook (Volume One) – April 2006 Quarterly Update

PART A FOLDER		
Module Code	Module Title	Summary of Changes and Printing Instructions
All Modules	N/A	Print off the contents page for each Module.
UG	User's Guide	The User's Guide has been rewritten to show new dating conventions on updates. Print off UG, A-2, UG 2.3 and UG 3.1.
BC	Business and market conduct	BC-7 – Margin trading. Print off new Chapter BC-7 and BC A-2 and BC A-3.
BR	BMA Reporting	BR-3.3, BR-4.1 & BR-5.1: Statistical Reporting and notifications. Reporting instructions have been updated to show electronic reporting. Licensees must also print off revised instructions in part B (Appendix BR-1). There is also a New notification requirement for material losses in paragraph 5.1.14. Print off sections BR-3.3, BR-4.1, BR-5.1 pages 3 & 4, and BR A-3.
OM	Operational Risk Management	OM-1.2 & OM-5: Additional point e) under paragraph OM-1.2.5 concerning succession planning. New requirements for ATMs security arrangements and reporting of security related complaints. Chapter OM-B has been edited and tidied up. Print off OM A-1, OM A-3, OM B-1, OM-1.2 page 2 and OM-5.1.
LR	Licensing Requirements	LR B-1.4 has a new requirement concerning submission of private placement documentation for new licence applicants. Print off LR B-1 pages 3 – 5.
PD	Public Disclosure	PD-3.1.5: New requirement for all banks to show changes in shareholders' equity in their quarterly published financial statements. Although this is a requirement under IFRS, certain banks had not shown this in their published quarterly reports. This is now a specific disclosure requirement by the Agency. Print off PD A-3 page 1 and PD-3.1.

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