



EDBS/KH/0252/2011  
28 February 2011

**Chief Executive Office/General Manager**  
All Conventional Bank Licensees  
Manama  
Kingdom of Bahrain

Dear Sir,

**CBB Rulebook: Volume 1 – January 2011 Quarterly Update**

The latest quarterly update to Volume 1 has now been incorporated in the website version of the Rulebook.<sup>1</sup> At present, only the PDF files have been fully updated. The HTML versions are gradually coming online.

**Recipients should update their hard copy folders through accessing the CBB website and print off the relevant pages from the PDF files 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 Table of 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. January 2011. The revised Modules are effective from the date of this letter, except as otherwise specified in the Module itself.

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 issue date will also have been changed to January 2011. These contents pages therefore act as a summary checklist for Rulebook users.

<sup>1</sup> Volume 1 can be accessed from [www.cbb.gov.bh](http://www.cbb.gov.bh) : from the Home page, select 'CBB Rulebooks' and then 'Volume 1'

#### **Module CM and PCD**

Chapter CM-5 and various Chapters of Module PCD have been amended taking into account the results of the consultation process that was undertaken with respect to Large Exposure Limits and the regulatory treatment of major acquisitions and investments by locally incorporated banks (CP-5).

The approval requirements under Paragraphs CM-5.10.3 to CM-5.10.5 will apply promptly for all **new** investments and acquisitions of Qualifying Holdings, but are not applied retroactively to current exposures. All existing Qualifying Holdings are grandfathered with respect to the limits outlined in Paragraphs CM-5.10.6 and CM-5.10.7. However, locally incorporated banks are not allowed to increase the level of Qualifying Holdings until such time as the level of these holdings is within the prescribed limits.

All compliance officers must be fully aware of the revised contents of Module CM and PCD and must ensure that the bank's Board of Directors and senior management are fully apprised of the subject amendments. Each locally incorporated bank will need to undertake a detailed assessment of their compliance with the new requirements outlined in these modules and address areas of non-compliance. **The detailed assessment should be completed by all locally incorporated banks by 31<sup>st</sup> March 2011 at the latest and a copy of which must be submitted to the CBB.**

#### **Formatting and Consistency Changes**

Several of the updated Modules have been reviewed in considerable details for formatting and consistency changes throughout the CBB Rulebook. In the case of Module CM, this has meant that some paragraphs have been relocated and expanded to align Volumes One and Two and certain definitions and Guidance have been expanded to cover enquiries raised by banks since the Module was issued. All changes have been highlighted in the updated documents.

#### **Payment of Annual License Fees**

All licensees are reminded that they must comply with the requirements of Section LR-4.2. The due date for the 2011 annual license fees is 30<sup>th</sup> April 2011. When submitting their payment, licensees should complete the updated Form ALF, included under Volume 1 (Conventional banks)/Part B/Reporting Forms available on the CBB Website which provides detailed instructions on how the payment of fees must be made.

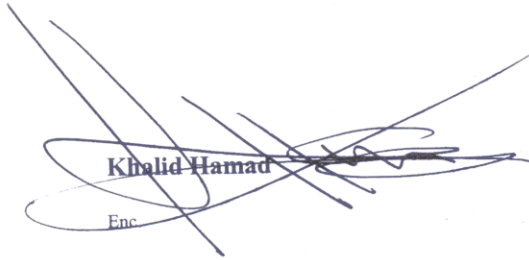
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**المدير التنفيذي للرقابة المصرفية**  
Executive Director - Banking Supervision

**Further information**

Should you have any queries regarding these updates, you may contact the CBB Rulebook team at [rulebook@cbb.gov.bh](mailto:rulebook@cbb.gov.bh), or else please speak to your normal supervisory contact.

Yours faithfully,

  
**Khalid Hamad**  
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**CBB Rulebook: Volume 1 – January 2011 Quarterly Update**  
**Part A**

| Module Code | Summary of Changes and Printing Instructions   |
|-------------|--|
| UG          | UG-A.1.5: Clarified legal basis and converted as a rule to be consistent with other parts of the CBB Rulebook.<br>UG-1.3.2 and 1.4.1: Underlined defined terms.<br>UG-2.1.2: Updated to reflect structure of Volume 5.<br><b>Print off ToC.</b>  |
| LR          | Various minor amendments to ensure consistency in formatting of CBB Rulebook. Clarified legal basis. Clarified the use of letters of guarantee as part of the licensing process.<br>LR-4.2.9A: Added the requirement for annual fees for SPV's to be in line with the requirements of Resolution No (1) of 2007.<br><b>Print off ToC, Chapter LR-A and Sections LR-3.1 and LR-4.2.</b> |
| PB          | PB-A.1.3: Clarified legal basis.<br>PB-B.1.5: Corrected cross reference<br><b>Print off ToC, Chapter PB-A and Section PB-B.1.</b>  |
| HC          | HC-A.1.8 and HC-A.1.11: Clarified legal basis.<br>HC-2.2.4, HC-2.2.5 and HC-3.2.1: Corrected cross references.<br>HC-2.3.2: Corrected cross reference; reference changed to connected persons.<br>Appendix C: Corrected cross reference.<br><b>Print off ToC, Chapter HC-A, Sections HC-2.2, 2.3 and 3.2 and Appendix C.</b>   |
| AU          | AU-A.1.3: Clarified legal basis.<br>AU-1.1, AU-1.2, AU-1.5, AU-2.1, AU-3 and AU-5: Various minor amendments for consistency in formatting.<br>AU-3.5: Added new Section on report on material differences to be in line with Volume 2.<br><b>Print off ToC, Chapters AU-A, AU-3 and AU-5 and Sections AU-1.1, AU-1.2 and AU-2.1.</b>   |
| GR          | Various minor amendments to ensure consistency in CBB Rulebook.<br>GR-A.1.2 and GR-A.1.3: Added legal basis.<br><b>Print off ToC, Chapters GR-A, GR-B, GR-5 and GR-7.</b>  |



**CBB Rulebook: Volume 1 – January 2011 Quarterly Update**  
**Part A**

| Module Code | Summary of Changes and Printing Instructions   |
|-------------|--|
| CA          | Various minor amendments to ensure consistency in CBB Rulebook.<br>CA-A.2.7 and CA-A.2.8: Clarified legal basis.<br><b>Print off ToC, Chapter CA-A.</b>  |
| BC          | Various minor amendments to ensure consistency in CBB Rulebook.<br>BC-A.1.4: Clarified legal basis.<br>BC-1.1.13: Corrected reference to Ministry of Industry and Commerce.<br>BC-7: Changes made to reflect new definitions related to licensed exchange(s).<br><b>Print off ToC, Chapters BC-A, BC-1 and BC-7.</b>   |
| CM          | CM-A.1.3: Clarified legal basis<br>CM-5: Changes made to incorporate Basel Core Principle 5 and new large exposure requirements along with a consistency alignment of Volume One and Volume Two.<br><b>Print off ToC, Sections CM-A.1 and CM-A.3 and Chapter CM-5.</b>   |
| OM          | Various minor amendments to ensure consistency in CBB Rulebook.<br>OM-A.1.3 and OM-A.1.4: Clarified legal basis.<br><b>Print off ToC, Sections OM-A.1, OM-A.3, OM-2.1, OM-2.4 and OM-7.1 and Chapters OM-3 and OM-6.</b>   |
| FC          | FC-A.1.3: Clarified legal basis.<br>FC-1.6.4 and FC-4.2.1: Corrected name of Compliance Directorate.<br>FC-1.10A: Added Section on Enhanced due diligence: cross border cash transactions equal to an above BD 6,000 by courier.<br>FC-4.3.5 and FC-4.3.6: Corrected minor typo.<br><b>Print off ToC, Chapter FC-A and Sections FC-1.6, FC-1.10A, FC-4.2 and FC-4.3.</b> |
| PCD         | PCD-A.1.7 and A.1.8: Added legal basis.<br>PCD-A, PCD-2, PCD-3 and PCD-4: Changes made to incorporate Basel Core principle 5.<br><b>Print off T of C and Chapters PCD-A, PCD-2, PCD-3 and PCD-4</b>  |

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**CBB Rulebook: Volume 1 – January 2011 Quarterly Update**  
**Part A**

| Module Code | Summary of Changes and Printing Instructions  |
|-------------|---|
| BR          | BR-A.1.4: Clarified legal basis.<br>BR-A.2.9A: Added reference to IIS Reporting Requirements.<br>BR-4A: Added new Chapter on other reporting requirements and refer to IIS reporting requirements.<br><b>Print off ToC and Chapters BR-A and BR-4A.</b> |
| PD          | PD-A.1.5: Clarified legal basis.<br>PD-A.2.2, PD-A.2.6, PD-1.3.36 and PD-1.4.1: Changes made to reflect new reference to licensed exchange<br><b>Print off T of C, Sections PD-A.1, A.2, A.4 and 1.4 and Paragraph PD-1.3.36.</b>                       |
| EN          | EN-A.1.3: Clarified legal basis.<br><b>Print off ToC and Chapter EN-A.</b>  |
| CP          | Various minor amendments to ensure consistency in formatting of CBB Rulebook. Added legal basis.<br><b>Print off entire Module.</b>   |



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**CBB Rulebook (Volume 1) – January 2011 Update**  
**Part B**

| Module Code     |            | Summary of Changes  |  |
|-----------------|------------|---|--|
| Glossary        |            | Updated to reflect new definitions related to Modules BC, CM and PCD. |  |
|                 |            |   |  |
| Reporting Forms |            |   |  |
| ALF             | Annual Fee | License   | Amended to clarify that payment of CBB annual fees is to be made directly for the account of the CBB at National Bank of Bahrain, Head Office. |

