



EDBS/KH/0196/2010
19th October, 2010

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

Dear Sir,

CBB Rulebook: Volume 1 – October 2010 Quarterly Update

The latest quarterly update to Volume 1 has now been incorporated in the website version of the Rulebook.¹ 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. October 2010. 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 October 2010. These contents pages therefore act as a summary checklist for Rulebook users.

¹ Volume 1 can be accessed from www.cbb.gov.bh : from the Home page, select 'CBB Rulebooks' and then 'Volume 1'

Module LR

A new paragraph requiring capital to be injected prior to a license being issued has been added. There are also additional information requirements (as part of the information required) within 6 months of a license being issued. Such requirements include submission to the CBB of a copy of the notarised memorandum & articles of association in Arabic and in English and a copy of the business card and other communication materials which state that the licensee is licensed by the CBB. References to certain Articles of the CBB Law have been revised with regard to the legal basis for these requirements. There is also an amendment to guidance with regard to annual license fees.

A transition period to 31st March 2011 has been provided for the requirement under Subparagraph LR-3.1.15(j) dealing with the proper labelling of all business cards and other communication materials, indicating that the licensee is regulated by the CBB as a wholesale or retail conventional bank.

Module HC

Following consultation with the industry, new rules prohibiting proxies for directors at Board of Directors meetings are being introduced. Also, a requirement for individual board members to attend at least 75% of all board meetings in a given financial year has been added.

In addition, Module HC has been totally updated to take into consideration the Code of Corporate Governance issued by the Ministry of Industry and Commerce in March 2010. This updated document should be printed in its entirety and incorporates current Module HC requirements as well as those of the Corporate Governance Code. For consistency purposes throughout the CBB Rulebook, certain parts of the current Module HC have been moved to other parts of Volume 1. In particular, Chapter HC-2 Approved Persons has now been moved to new Chapter LR-1A and parts of Section HC-1.5, dealing with SPVs has been moved to new Chapter PCD-4.

All compliance officers must be fully aware of the revised contents of Module HC and must ensure that the bank's Board of Directors and senior management are fully apprised of the subject amendments. Each bank will need to undertake a detailed assessment of actions needed to address any shortfalls in compliance. **The detailed assessment should be completed by all banks by 1st December 2010 at the latest and a copy of which must be submitted to the CBB.**

المدير التنفيذي للإقابة المصرفية

Executive Director - Banking Supervision

Module PD

The disclosure requirements incorporated in the Corporate Governance Code are contained in Module PD and are found under Public Disclosure of Corporate Governance or under the new Chapter PD-6 Corporate Governance Disclosure to Shareholders.

Module EN

Module EN includes a new Section EN-6.2A on financial penalties for date sensitive requirements. The financial penalties in relation to date sensitive compliance issues have been standardised to a daily amount for each requirement that is late. These penalties will be enforced for any past due requirements after 1st January 2011, without prior notice being issued to the licensees. All banks should therefore be fully familiar with all date sensitive requirements included in Volume 1 and should ensure that they meet these requirements at all times. The compliance officer is required to ensure that all senior managers are fully aware of such enforcement actions.

Formatting and Consistency Changes

Several of the updated Modules have been reviewed in considerable details for formatting and consistency changes throughout the CBB Rulebook. All changes have been highlighted in the updated documents.

Further information

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

Yours faithfully,



Khalid Hamad

Enc.

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Part A

Module Code	Summary of Changes and Printing Instructions
UG	There are no changes to this Module. Print off ToC.
LR	Various minor amendments to ensure consistency in formatting of CBB Rulebook. Revised legal basis. New Chapter LR-1A on Approved persons moved from Section HC-1.2 and from Paragraphs in Section HC-1.5. New paragraph LR-3.1.12A requiring capital to be injected prior to license being issued and additional details (LR-3.1.15) pertaining to information required, within 6 months of a license being issued. Transition rule (LR-3.1.15A) added to comply with new requirement under Subparagraph LR-3.1.15(j) and amendment to guidance (LR-4.2.13) with regard to annual license fees. Print off ToC, Chapters LR-A, LR-1, LR-1A and LR-4 and Sections LR-2.1, 2.2, 2.4, 2.7, 3.1 and 3.2.
PB	There are no changes to this Module. Print off ToC.
HC	Amendment to Module due to introduction of Code of Corporate Governance by the Ministry of Industry and Commerce. Prohibition of proxies and requirement to attend 75% of board meetings. Print off Module HC in its entirety.
AU	There are no changes to this Module. Print off ToC.
GR	There are no changes to this Module. Print off ToC.
CA	There are no changes to this Module. Print off ToC.

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Part A

Module Code	Summary of Changes and Printing Instructions
BC	Minor change to BC-9.5.17 to clarify the wording of the Rule by replacing the term “legal” with “licensing”. Print off ToC, Module History and Section BC-8.5, page 3 of 4.
CM	There are no changes to this Module. Print off ToC.
OM	There are no changes to this Module. Print off ToC.
FC	There are no changes to this Module. Print off ToC.
PCD	Various minor amendments to ensure consistency in CBB Rulebook. New Chapter PCD-4 on SPVs moved from Paragraphs in Section HC-1.5. Print off Module PCD in its entirety.
BR	Various changes to ensure consistency of requirements between Volumes 1 and 2 of the CBB Rulebook. Print off all Chapters except for Chapter BR-6.
PD	Various minor amendments to ensure consistency in CBB Rulebook. In Paragraph PD-1.3.8, additional items added to be in line with Corporate Governance Code. New Chapter PD-6 added to deal with corporate governance disclosure to shareholders. Print off Module PD in its entirety.
EN	Various minor amendments to ensure consistency in CBB Rulebook. New Section added on financial penalties for date sensitive requirements. Print off Module EN in its entirety.

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Part A

Module Code	Summary of Changes and Printing Instructions
CP	There are no changes to this Module. Print off ToC.



CBB Rulebook (Volume 1) – October 2010 Update
Part B

Module Code	Summary of Changes
Glossary	Updated to reflect new definitions related to Module HC.