

Guidelines for Completion of Exposures to Connected Counterparties

GENERAL:

- 1) All banks incorporated in Bahrain must report their exposures to connected counterparties using the form provided in Appendix BR-10. Reports must be submitted on a monthly basis on the fourth working day of the month.
- 2) There are certain specific points to cover in the reporting form as shown below:

The bank must list all facilities to all **connected parties on an individual names basis** under each of the categories given in Column 1 of the form. An example is given for exposures to Controllers in the attached form. Please note that the example given is of a non-compliant bank. In the case of facilities to **controllers**, the bank must note that no exposures to controllers may be undertaken. Banks should refer to the definition of “Controller” as given in Module GR-5 of the Rulebook. Banks should note that certain directors, by virtue of their shareholding or their representation of a controller, become “controllers” and are therefore subject to the zero percent exposure limit.
- 3) In all cases of exposures to controllers, directors, senior management or associates, **the bank must show the extent of shareholding in the bank in column one** (in this example, the bank has capital of BD100mn).
- 4) The definition of “**associate**” is the same as used in IAS 28. In any case, the shareholding or control of 20% or more in an entity’s voting capital by the concerned bank will qualify the concerned entity as an “associate” for the purpose of this form.
- 5) The definition of “**subsidiary**” is as given in Module PCD-A, for the purpose of this form, and therefore will include exposures to certain SPVs.
- 6) **Senior Management** includes the CEO/GM, COO and all such persons which report to the CEO/GM, or operate under the authority of a director. Banks should refer to Module HC-2.1 for further information on “senior management”.

- 7) **Column 2** shows the current limits of exposures granted or approved for the concerned counterparty. The definition of “Exposure” is given in Module CM-4.2 in Volume 2 and CM-5.2 in volume 1. Exposure therefore include equity/debt holdings as well as credit facilities. “Limit” therefore also includes undrawn, advised, or committed amounts (please refer again to Module CM). All limits (and exposures in column 3 onwards) should be shown. Amounts should be shown in BD000’s (or \$000’s where the bank reports in US\$). Where the individual facilities exceed 10% of the bank’s capital base, the facility amount must also be expressed in terms of the bank’s capital base (as defined in CM-4.4 of Volume 2 and CM-5.4 of Volume 1).
- 8) **Column 3** shows the actual book value amount of exposure as at the reporting date (the last day of the Month or last business day of the month as applicable).
- 9) **Column 4** shows the actual book value amount of exposure for the previous month (and therefore in March 2009 should show the values as February’s Column 3 amount).
- 10) At the base of each Column, **the aggregate amount of exposures must be shown** in currency amount and as a percentage of capital base. Banks are reminded of the aggregate limits for exposures to connected counterparties in Module CM.
- 11) In the case of Islamic banks, reporting banks may mark with an asterisk (*) any facilities to connected counterparties funded by restricted investment accounts.

Connected Counterparty Exposures

Period Ending: _____

Connected Counterparty	Current Exposure Limit	Exposure at Reporting Date	BD000's Previous Month Exposure
Controller's name/Ownership percentage of bank (must be zero unless it was approved by CBB)			
Controller:			
<ul style="list-style-type: none"> Controller A (11% share) 	120,000 (12%)	80,000 (8.0%)	118,000 (11.8%)
<ul style="list-style-type: none"> Controller B (15% share) 	1,000	250	500
<ul style="list-style-type: none"> Controller C (22% share) 	0	0	220
<ul style="list-style-type: none"> Name (% share) 			
Directors:			
<ul style="list-style-type: none"> Name 			
<ul style="list-style-type: none"> “ 			
<ul style="list-style-type: none"> “ 			
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Senior Management			
<ul style="list-style-type: none"> Name and Position 			
<ul style="list-style-type: none"> “ “ 			
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Connected Counterparty	Current Exposure Limit	Exposure at Reporting Date	Previous Month Exposure
Controller's name/Ownership percentage of bank (must be zero unless it was approved by CBB)			
• “ “			
• “ “			
• “ “			
• “ “			
• “ “			
• “ “			
• “ “			
Subsidiaries			
• Company Name			
• “ “			
• “ “			
• “ “			
• “ “			
• “ “			
• “ “			
• “ “			
• “ “			
• “ “			
Associates			
• Company Name			
• “ “			
• “ “			
• “ “			
• “ “			
• “ “			
• “ “			
• “ “			
• “ “			
• “ “			
Aggregate Limit	121,000 (12.1%)	80,250 (8.0%)	118,720 (11.9%)