



# Glossary of Defined Terms



## Glossary History

Version Date	Description of Changes
April 2006	Initial Launch
July 2006	Page 19 ("R"): deletion of 'acting as a financial trust service provider' from the definition of 'regulated investment services'.
July 2007	<ul style="list-style-type: none"><li>• Changes to definitions of: administrator(s); authorised person(s); collective investment undertaking(s); family: property.</li><li>• New definitions included: closed-ended fund(s); custodian(s); Investment Business Code of Practice; Islamic investment firm; overseas Category 1 investment firm.</li></ul>
July 2008	Added definition for accredited investor, dematerialised safe custody financial instruments and expert investor.



## A

### Accredited investor (as per Paragraph BC-2.2.11A)

Accredited investors are:

- (a) Individuals holding financial assets (either singly or jointly with their spouse) of USD 1,000,000 or more;
- (b) Companies, partnerships, trusts or other commercial undertakings, which have financial assets available for investment of not less than USD 1,000,000; or
- (c) Governments, supranational organisations, central banks or other national monetary authorities, and state organisations whose main activity is to invest in financial instruments (such as state pension funds).

### Administrator(s)

Administrators are persons who undertake the administration of financial instruments and other assets, for a third party. Administration may include the following activities:

- (a) Legal and fund management accounting services;
- (b) Client enquiries;
- (c) Valuation and pricing (including tax returns);
- (d) Regulatory compliance monitoring;
- (e) Maintenance of unit-holder register;
- (f) Distribution of income;
- (g) Issuance and redemption of holdings in a CIU;
- (h) Contract settlements (including certificate dispatch); and
- (i) Record-keeping.

### Ancillary services provider(s)

A person who is licensed by the CBB in relation to the carrying on of one or more ancillary services, such as administrators, or those providing compliance services, data-processing services, or a local service or management office, with respect to other CBB licensees. Such persons are not subject to Volume 4 of the CBB Rulebook, but are separately licensed and subject to the requirements contained in the relevant CBB's "Standard Conditions and Licensing Criteria" (cf. AU-A.1.10).

### Appointed Expert(s)

Duly qualified experts appointed for the purpose of investigating licensees in order to access compliance with CBB regulations (cf. EN-2.2).

### Appointed Representative(s)

A person not directly authorised by the CBB, but acting on behalf and under the overall control of a licensed principal. They are effectively an extension of the licensed principal, who is required to take full authority for the actions of the appointed representative (cf. GR-8).



### **Approved Person(s)**

Approved Persons are individuals holding certain specified positions in CBB licensees; they must be approved by the CBB prior to taking on those positions and must demonstrate that they are fit and proper. The list of positions subject to the CBB's Approved Persons regime vary according to the CBB license Category, but generally cover directors and senior management, as well as certain other positions. Approved Persons requirements are specified in the relevant Rulebook Volume for the license Category in question.

### **Authorised person(s)**

A person authorised either as a CBB licensee or an Approved Person.



## B

### **Bahraini investment firm licensee**

An investment firm that is incorporated in the Kingdom of Bahrain (and is therefore not an overseas investment firm licensee). The same naming convention applies to the various sub-categories of investment firm: e.g. a Bahraini Category 1 investment firm is a Category 1 investment firm that is incorporated in the Kingdom of Bahrain. See AU-A.1.5; and overseas investment firm licensee below.

### **Bonds**

An instrument creating or acknowledging a present or future indebtedness (i.e. debentures, debenture stock, loan stock, bonds, certificates of deposit and any other instruments creating or acknowledging a present or future indebtedness), but excluding:

- a) An instrument creating or acknowledging indebtedness for, or for money borrowed to defray, the consideration payable under a contract for the supply of goods and services;
- b) A cheque or other bill of exchange, a bankers draft or a letter of credit (but not a bill of exchange accepted by a banker);
- c) A banknote, a statement showing a balance on a bank account, or a lease or other disposition of property; and
- d) A contract of insurance.



C

### **Category 1 investment firm**

An investment firm licensee as defined in AU-1.1.13.

### **Category 2 investment firm**

An investment firm licensee as defined in AU-1.1.15.

### **Category 3 investment firm**

An investment firm licensee as defined in AU-1.1.17.

### **Chief Executive**

A person responsible under the immediate authority of the Board of Directors for the conduct of the firm (regardless of actual title); cf. AU-1.2.9.

### **Client**

A client is a person with or for whom an investment firm licensee conducts or intends to conduct regulated investment services.

### **Client Agreement**

Terms of business, which the client of the investment firm licensee has consented to in writing.

### **Client Asset Protection Rules**

Rules contained in Section CL-1.1.

### **Client Assets**

Money or financial instruments belonging to clients of an investment firm licensee that are held or controlled by the investment firm licensee in connection with the conduct of regulated investment services.

### **Client Bank Account**

A bank account held by an investment firm licensee, in order to hold client money; cf. CL-1.1.6.



## Client Money

Money (of any currency), which, in the course of carrying on regulated investment business, an investment firm licensee holds in respect of any investment agreement entered into, or to be entered into, with or for a client.

## Close Links

Defined in GR-6.2.1

## Closed-ended fund(s)

Closed-ended funds are CIUs with a limited number of holdings. Where the fund vehicle is a company, holdings can take the form of shares. New holdings are rarely issued after the fund is launched and are not normally redeemable until the fund liquidates. Typically an investor can acquire or dispose of holdings in a closed-ended fund by buying or selling them on a secondary market, from a market intermediary or other investor, rather than by dealing with the CIU itself.

## Code

The Investment Business Code of Practice contained in Chapter BC-2.

## Collective investment undertaking(s)

Collective investment undertakings ("CIUs") are undertakings:

- (a) The sole object of which is the collective investment of capital raised from the public in financial instruments or other assets and which operates on the basis of risk-spreading; and
- (b) The holdings of which are re-purchased or redeemed, directly or indirectly, out of those undertakings' assets.

## Controlled function

A function carried on by an approved person in relation to an investment firm licensee that requires prior CBB approval: cf. AU-1.2.2.

## Controller

A controller is a natural or legal person who:

- a) Holds 10% or more of the shares in the licensee ("L"), or is able to exercise (or control the exercise) of more than 10% of the voting power in L; or
- b) Holds 10% or more of the shares in a parent undertaking ("P") of L, or is able to exercise (or control the exercise) of more than 10% of the voting power in P; or
- c) Is able to exercise significant influence over the management of L or P.



### **Conventional bank licensee**

A bank licensed by CBB under Volume 1 of the CBB Rulebook, and generally operating according to conventional finance principals (as opposed to operating in accordance to Islamic finance principles).

### **Custodian(s)**

A custodian is a person mandated to hold and safeguard the financial instruments and other assets of a person, such as a collective investment undertaking (CIU).





## D

### **Dematerialised safe custody financial instruments**

Reference to dematerialised safe custody financial instruments refers to electronic holdings of securities. This is often seen in instances where “jumbo” certificates are issued, but individual tranches of the certificate are recorded only in an electronic fashion.

### **Designated Bank**

A designated bank is one to which the client of the investment firm licensee has consented in writing to hold his money. See Section CL-5.1.

### **Director**

A person who acts in the capacity of director of a firm (whether appointed or not, or whether titled director or not). In the case of a sole trader, unincorporated body or partnership, a person directing its affairs, or a partner (of a partnership). Directors are a controlled function: see AU-1.2.2.



## E

### **Eligible Third Party**

An eligible third party refers to:

- a) An exchange;
- b) A clearing house; or
- c) An intermediate broker.

### **Expert investor (as per Paragraph BC-2.2.11B)**

Expert investors are:

- (a) Individuals holding financial assets (either singly or jointly with their spouse) of USD 100,000 or more;
- (b) Companies, partnerships, trusts or other commercial undertakings, which have financial assets available for investment of not less than USD 100,000; or
- (c) Governments, supranational organisations, central banks or other national monetary authorities, local authorities and state organisations.



## F

### **Family**

For the purpose of Rule AU-1.4.5, the term family refers to: father, mother, brother, sister, spouse, child or stepchild, grandparents and grandchildren.

### **Financial instruments**

Any of the following instruments, as further defined in Volume 4, Section AU-1.5, of the CBB Rulebook:

- a) Transferable securities;
- b) Islamic financial instruments;
- c) Money market instruments;
- d) Holdings in collective investment undertakings;
- e) Derivative contracts other than commodity derivatives;
- f) Derivative contracts relating to commodities settled in cash;
- g) Derivative contracts relating to commodities;
- h) Credit derivatives;
- i) Financial contracts for differences;
- j) Other derivative contracts;
- k) Interests in real estate property;
- l) Certificates representing certain securities; and
- m) Rights or Interests in Financial Instruments.

### **Financial Instruments Trader**

A person who is engaged in buying or selling financial instruments. This is a controlled function (cf. AU-1.2.2).

### **Futures**

Rights under a contract for the sale of a commodity or property of any other description under which delivery is to be made at a future date and at a price agreed on when the contract is made.



G

**General Manager**

The General Manager (of a firm whether incorporated in Bahrain or not) means a person who (regardless of actual title) is responsible, alone or jointly, for the conduct of the whole of the firm, or in the case of an overseas licensee, for all the activities of the branch. Equivalent to Chief Executive in the case of firms incorporated in Bahrain (cf. Rule AU-1.2.9).



# H

## **Head of Function**

A person who, under the immediate authority of the chief executive or general manager, exercises one or more major managerial functions or is responsible for maintaining accounts or other records of the firm (cf. Rule AU-1.2.10).

## **Home Supervisor**

The competent regulatory authority of the head office of a branch.



# I

## **Initial Capital Requirement**

Initial capital requirements, as defined in Rule CA-1.2.7, are:

- a) For Category 1 investment firms, BD 1,000,000;
- b) For Category 2 investment firms, BD 1,000,000 if undertaking the activity of safeguarding financial instruments (i.e. custodian), BD 250,000 in all other cases; and
- c) For Category 3 investment firms, BD 125,000.

## **Insurance licensee**

A person licensed under Volume 3 of the CBB Rulebook.

## **Investment adviser**

A person who performs the function of arranging deals (on behalf of a client) in financial instruments, and/or advising a client on financial instruments (cf. Rule AU-1.2.13).

## **Investment analyst**

An employee of an investment firm licensee who prepares investment research.

## **Investment Business Code of Practice ('the Code')**

The Investment Business Code of Practice contained in Chapter BC-2.

## **Investment consultant**

See definition of investment adviser above.

## **Investment firm license**

A license issued by CBB under Volume 4 of the CBB Rulebook.

## **Investment firm licensee**

A person licensed under Volume 4 of the CBB Rulebook to undertake regulated investment business services.



### **Investment research**

A document (other than a recommendation made to an individual client), distributed outside an investment firm licensee, which contains one or more of the following:

- a) The results of research into an individual financial instrument;
- b) Analysis of factors likely to influence the future performance of an individual financial instrument or its issuer; and
- c) Advice or recommendations based on those results or that analysis.

### **Islamic bank licensee**

A person licensed under Volume 2 of the CBB Rulebook to undertake regulated Islamic banking services.

### **Islamic investment firm(s)**

An investment firm licensee, all of whose operations are conducted in compliance with Shari'a principles.



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L

**Lead Supervisor**

In the context of groups containing regulated financial companies, the principal regulator supervising those financial companies on a consolidated basis.

**Licensed Principal**

An investment firm licensee that appoints an appointed representative (cf. Chapter GR-8).

**Licensees**

Any person licensed by the CBB under any of the Volumes of the CBB Rulebook.



# M

## **Mandates**

Defined in Rule CL-4.1.1.

## **Market Counterparty**

Defined in Rule BC-2.2.6.



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## O

### Operator(s)

In the context of a collective investment undertaking ('CIU'), operator means a person undertaking the functions of establishing, operating or winding-up a CIU.

### Options

An option is a contract giving the buyer the right, but not the obligation, to buy or sell any of the following at a specific price on or before a certain date:

- a) Currency of the Kingdom of Bahrain or any other country or territory;
- b) Palladium, platinum, gold or silver; or other commodity;
- c) Option to acquire or dispose of a financial instrument of the kind specified by this definition by virtue of the above.

### Overseas Category 1 investment firm

A Category 1 investment firm, which is incorporated in an overseas jurisdiction and operates in the Kingdom of Bahrain through a branch licensed by the CBB.

### Overseas investment firm licensee

An investment firm licensee incorporated in an overseas jurisdiction (and therefore is not a Bahraini investment firm licensee). The same naming convention applies to the various sub-categories of investment firm: e.g. a Bahraini Category 1 investment firm is a Category 1 investment firm that is incorporated in the Kingdom of Bahrain. See Paragraph AU-A.1.5; and Bahraini investment firm licensee, above.



**P**

**Parent Undertaking**

An undertaking or individual ('P'), which has the following relationship to another undertaking ('S'):

- (i) P holds (alone or, under an agreement with other shareholders) a majority of the voting rights in S;
- (ii) P (alone or in conjunction with its other subsidiary undertakings), has the right to appoint or remove a majority of its board of directors;
- (iii) P has the right to exercise a dominant influence over S, either through provisions contained in S's memorandum or articles, or a control contract; or
- (iv) P is a parent undertaking of a parent undertaking of S.

**Personal account transaction**

A transaction undertaken by an employee of an investment firm licensee in a financial instrument, for his own account.

**Politically Exposed Person ('PEP')**

Defined in Paragraph FC-1.5.4.

**Professional client**

Defined in Rule BC-2.2.8.

**Property**

Property of any description (including assets, rights, interests, and/or money).

**Public Offering**

An offer of securities to the public, as defined in Circular ODG/407/03 of 3 December 2003, 'Disclosure Standards'. See Rule BC-2.3.7.



**Q**

**Qualifying Custodian**

Defined in Rule AU-1.4.35.



R

**Real Time Promotion**

Defined in Paragraph BC-2.3.13.

**Regulated banking services**

Any of the regulated activities permitted to be undertaken by a conventional bank licensee.

**Regulated investment services**

Any of the following, as further defined in Section AU-1.4:

- a) Dealing in financial instruments as principal;
- b) Dealing in financial instruments as agent;
- c) Arranging deals in financial instruments;
- d) Managing financial instruments;
- e) Safeguarding financial instruments (i.e. custodian) ;
- f) Advising on financial instruments; and
- g) Operating a collective investment undertaking (i.e. an operator).

**Regulated Islamic banking services**

Any of the regulated activities permitted to be undertaken by an Islamic bank licensee.

**Regulatory Capital**

Capital elements that satisfy the regulatory criteria for admissibility, in the context of calculating compliance with Regulatory Capital Requirements. Defined in Chapter CA-2.





### Regulatory Capital Requirement

Defined in Rule CA-1.2.2 for Category 1 and Category 2 investment firms, and in Rule CA-1.2.3 for Category 3 investment firms.

### Relevant Authorities

For the purposes of Module FC, relevant authority refers to the authorities listed in Rule FC-4.3.1

### Relevant Operating Expenses

For the purposes of calculating a licensee's annual CBB license fee, relevant operating expenses are defined as the total operating expenses of the licensee concerned, as recorded in the most recent audited financial statements available, excluding the following items:

- (a) Training costs;
- (b) Charitable donations;
- (c) CBB fees paid; and
- (d) Non-executive Directors' remuneration.

### Representative office

A person who is licensed by the CBB to undertake only representative office functions:

- (i) Gather financial, economic and commercial information;
- (ii) Carry out general promotional activities; and/or
- (iii) Provide general assistance of a non specific nature to resident and non resident clients of the overseas entity/group the office is representing.

Such persons are not subject to Volume 4 of the CBB Rulebook, but are separately licensed and subject to the requirements contained in the relevant CBB's 'Standard Conditions and Licensing Criteria' (cf. AU-A.1.12).

### Retail Client

A client who is not a professional client or a market counter party. See Section BC-2.2.

### Risk-based Capital Requirement(s)

Defined in Rule CA-1.2.8. The Risk-Based Capital Requirement is the sum of a firm's Expenditure Requirement, Position Risk Requirement (PRR), Counterparty Risk Requirement (CRR), and Foreign Exchange Risk Requirement (FER).



## S

### **Shareholders**

- a) In relation to a share which is represented by a bearer certificate, the person who holds the certificate; or
- b) In relation to a share that is not represented by a bearer certificate, the person whose name is entered on the register in relation to the share.

### **Shares**

A share or stock in the share capital of an enterprise, whether incorporated or unincorporated, but excluding units in collective investment undertakings.

### **Soft dollar agreement**

An agreement in any form under which an investment firm licensee receives goods or services in return for regulated investment services put through or in the way of another person.

### **Specialised Licensee**

A person licensed under Volume 5 of the CBB Rulebook (when issued). Until such time, a CBB licensee not licensed under any of Volume 1, 2 3, 4 or 6 of the CBB Rulebook.

### **Subsidiary undertaking**

A company or other enterprise controlled by another company or enterprise (the parent or the holding company).

### **Swaps**

A financial contractual agreement between two parties to exchange (swap) a set of payments that one party owns for a set of payments owned by the other party.



T

**Terms of business**

A statement in a durable medium of terms and conditions on which a firm will conduct regulated investment services with or for a client.

**Third Party Related Distribution Rules**

Rules specified in Chapter CL-5.

U

**Unsolicited Real Time Promotion**

A real time promotion in breach of Rule BC-2.3.12.

V



**W**

**Warrants**

Warrants are instruments that confer an entitlement to subscribe for shares, debenture and government and public securities. The rights conferred must be rights to ‘subscribe’ for the relevant investments. This means that they are rights to acquire the investments directly from the issuer of the investments and by way of the issue of new investments.

**X**

**Y**

**Z**