



EDFIS/C/004/2011
3rd February 2011

The Compliance Officer
All Investment Firm Licensees
Manama
Kingdom of Bahrain

Dear Sir,

CBB Rulebook: Volume 4 (Investment Business)
January 2011 Update

The January 2011 quarterly update to Volume 4 has now been incorporated in the website version of the Rulebook.¹

This letter highlights changes introduced this quarter. Licensees are required to note any policy changes. In addition, recipients who wish to update their hard copy folders should access the Central Bank of Bahrain ('CBB') website and print off the relevant pages for insertion into their folder.

All changes are highlighted in colour in the PDF versions of the Modules included on the CBB's website. All changes to the text of the previous version of Volume 4, however minor, are highlighted. The searchable version of the Rulebook, in addition, allows users to list changes and compare different versions of the Rulebook.

Part A Modules

Contents Pages and Module History

The contents page for each Module shows the date each section was last changed and provides a good reference tool to keep track of the latest updates along with the Module History.

Changes for January 2011

The changes for January 2011 are listed in the attached table.

¹ Volume 4 can be accessed from www.cbb.gov.bh : from the Home page, select 'CBB Rulebooks' and then 'Volume 4'.

Module HC

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.

All compliance officers must be fully aware of the revised contents of Module HC and must ensure that the investment firm licensee's Board of Directors and senior management are fully apprised of the subject amendments. Each investment firm licensee will need to undertake a detailed assessment of actions needed to address any shortfalls in compliance. **The detailed assessment should be completed by all investment firm licensees by 15th March 2011 at the latest and a copy of which must be submitted to the CBB to Mr. Mohamed Ayman Al Tajer, Director of Financial Institutions Supervision Directorate.**

Payment of Annual License Fees

All licensees are reminded that they must comply with the requirements of Section AU-6.3. The due date for the 2011 annual license fees is 30th April 2011. When submitting their payment, licensees should complete the **updated** Form ALF, included under Volume 4 (Investment Firms)/Part B/Reporting Forms available on the CBB Website which provides detailed instructions on how the payment of fees must be made.

Further Information

Should you have any queries regarding these updates, you may contact the CBB Rulebook team at (rulebook@cbb.gov.bh), or the Director of Financial Institutions Supervision Directorate on 17547968.

Yours faithfully,



Abdul Rahman Al Baker

Enclosure: Volume 4 Update Table.

CBB Rulebook (Volume Four) – January 2011 Update

PART A FOLDER		
Module Code	Module Title	Summary of Changes and Printing Instructions
All Modules	N/A	Print off the Table of Contents page for each Module and the Module History Section when changes have been made.
UG	User's Guide	UG-A.1.6: Clarified legal basis. UG-2.1.2: Updated to reflect structure of Volume 5.
ES	Executive Summary	ES-A.1.6: Clarified legal basis.
AU	Authorisation	AU-A.1.11: Clarified legal basis. AU-1.12: Clarified guidance. AU-1.1.21, AU-1.1.22 and AU-1.2.1(f): Paragraphs deleted for consistency in CBB Rulebook. AU-1.2: Amended as requirements moved from Module HC to Module AU. AU-1.4.25: Amended guidance to reflect new definitions related to licensed exchange(s). AU-5.1.13(j): Added language requirements for commercial registration certificate. AU-5.1.5A: Amended CBB's requirements concerning letters of guarantee to be submitted with licensing application. AU-5.1.13: Added requirement to submit copy of licensee's business card and any written communication including a statement that the investment firm is licensed by the CBB. AU-5.5.3: Clarified guidance.
PB	Principles of Business	PB-A.1.3: Clarified legal basis.
HC	High-level Controls	Amendment to complete Module due to introduction of Code of Corporate Governance by the Ministry of Industry and Commerce.
AA	Auditors and Accounting Standards	AA-A.1.3: Clarified legal basis. AA-1.1.1A: Added Guidance referring to the CBB's power to appoint an external auditor should the investment firm licensee fail to do so.

CBB Rulebook (Volume Four) – January 2011 Update (continued)

PART A FOLDER		
Module Code	Module Title	Summary of Changes and Printing Instructions
GR	General Requirements	GR-A.1.2: Clarified legal basis. GR-3.1.3: Expanded guidance dealing with dividends. GR-5.1.4A: Added a new Rule related to changes in shareholding when legal person is a controller. GR-5.1.5: Clarified Rule. GR-5.3.6: Corrected minor typo.
CA	Capital Adequacy	CA-A.1.4: Clarified legal basis. CA-B.1: New title given to this section. CA-1: Restructured by moving Paragraphs in Section CA-B.1 and categorised capital adequacy requirements for different legal forms of investment firms (Bahraini and Overseas) and added new Rule on the matching of assets and liabilities. CA-1.1.5A: Added Guidance on alternative to increase capital. CA-1.2.11 and CA-1.2.12: Paragraphs relocated from Section CA-1.1. CA-2.1.8: Added dated subordinated term debt with an original term of over 5 years to Tier 2 capital instruments.
BC	Business Conduct	BC-A.1.6: Clarified legal basis. BC-2.3.15: Cross reference added to Section GR-2.2.
CL	Client Assets	CL-A.1.4: Clarified legal basis.
RM	Risk Management	RM-A.1.4: Clarified legal basis. RM-B.2: Removed reference in title to affiliates.
FC	Financial Crime	FC-A.1.4: Clarified legal basis. FC-1.6.4: Corrected name of Compliance Directorate. FC-3.1.6: Amended requirements for position of MLRO.

CBB Rulebook (Volume Four) – January 2011 Update (continued)

PART A FOLDER		
Module Code	Module Title	Summary of Changes and Printing Instructions
TC	Training and Competency	<p>TC-A.1.5: Clarified legal basis.</p> <p>TC-1.1.6, 1.1.9, 1.1.11, 1.1.13, 1.1.15, 1.1.18, 1.1.20 and 1.1.22: Paragraphs deleted as considered as considered duplicate and found in other parts of Volume 4.</p> <p>TC-1.1.16: Amended requirements for position of MLRO.</p> <p>Appendix TC-1: Clarified how competence can be demonstrated for the position of Director.</p>
BR	CBB Reporting	<p>BR-A.1.3: Clarified legal basis.</p> <p>BR-1.4.6: Amendment made to recognise “licensed exchange”.</p> <p>BR-1.4.12 and BR-1.4.13: Added IIS reporting requirements.</p> <p>BR-2.2.9: Administrator not to be shown as a defined term in this Paragraph.</p> <p>BR-2.2.22: Amended reference to “direct” supervisory contact.</p> <p>BR-2.3.5: Removed reference to additional premises.</p> <p>BR-2.3.8: Clarified Rule dealing with change in authorised or issued capital.</p> <p>BR-2.3.12: Rule amended as it does not apply to overseas investment firms.</p> <p>BR-2.3.18: Rule amended to remove reference to “directors”.</p>
EN	Enforcement	EN-A.1.2: Clarified legal basis.