



EDFIS/C/029/2009
8th October 2009

The Compliance Officer
All Investment Firm Licensees
Manama
Kingdom of Bahrain

Dear Sir,

CBB Rulebook: Volume 4 (Investment Business)
October 2009 Update

The October 2009 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.

¹ Volume 4 can be accessed from www.cbb.gov.bh : from the Home page, select 'Regulatory Functions' and then 'Laws & Regulations'. Alternatively, use the 'Quick Links' facility on the Home page to access the CBB Rulebook facility.

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 October 2009

The changes for October 2009 are listed in the attached table.

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) – October 2009 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.
ES	Executive Summary	<p>ES-A.1.6: Reference to registered administrators removed. Print off updated ES-A.1: Page 1 of 1.</p> <p>ES-1.1.1: Reference to administrator removed.</p> <p>ES-1.1.5: Updated to reflect issue of Modules. Print off updated ES-1.1: Page 1 of 2.</p> <p>ES-1.3: Updated to reflect changes to Module AU.</p> <p>ES-1.3.9: Reference to registration of administrators removed. Print off updated ES-1.3: Pages 1-2 of 2.</p> <p>ES-1.8: Updated to reflect changes to Module CA. Print off updated ES-1.8: Page 1 of 1.</p> <p>ES-2.4.1A: Updated to reflect issue of Form QPR. Print off updated ES-2.4: Page 1 of 1.</p>
AU	Authorisation	<p>AU-1.1.18: Clarified that Category 3 investment firms must refrain from receiving fees or commissions from parties other than clients.</p> <p>AU-1.1.24: Paragraph changed from Guidance to Rule. Print off updated AU-1.1: Pages 3-4 of 5.</p> <p>AU-1.2: Amended to reflect requirements of Modules HC and RM.</p> <p>AU-1.2.2: Controlled function of Deputy MLRO added.</p> <p>AU-1.2.15: New Rule added to clarify definition of Compliance Officer and MLRO/Deputy MLRO. Print off updated AU-1.2: Pages 1-2 of 2.</p> <p>AU-1.4.11: Clarified that dealing in financial instruments as principal includes underwriting and private placement.</p> <p>AU-1.4.19: Clarified that dealing in financial instruments as agent does not include execution of deals. Print off updated AU-1.4: Pages 2-3 of 7.</p> <p>AU-2.3: Updated to include CBB's requirements for controllers. Print off updated AU-2.3: Page 1 of 1.</p>

CBB Rulebook (Volume Four) – October 2009 Update (continued)

PART A FOLDER		
Module Code	Module Title	Summary of Changes and Printing Instructions
AU	Authorisation	<p>AU-5.1.5: Clarified that copy of commercial registration certificate is required for existing Bahraini companies only. Print off updated AU-5.1: Page 1 of 6.</p> <p>AU-5.2: Updated to include CBB's information requirements for the appointment of approved persons. Print off updated AU-5.2: Pages 1-2 of 2.</p>
HC	High-level Controls	<p>HC-B.1.2: Amended to reflect applicability of Module to Category 3. Print off updated HC-B.1: Page 1 of 1.</p> <p>HC-2.1.3: Added a new Paragraph of requirements for Chief Executive/General Manager. Print off updated HC-2.1: Page 1 of 1.</p> <p>HC-2.4.4: Expanded requirements for Compliance function.. Print off updated HC-2.4: Page 1 of 1.</p>
AA	Auditors and Accounting Standards	<p>AA-1.5: Paragraphs AA-1.5.2 and AA-1.5.3 updated to clarify outsourcing of internal audit function. Print off updated AA-1.5: Page 1 of 1.</p> <p>AA-3.1.1: Updated to reflect requirement in Module BR. Print off updated AA-3.1: Page 1 of 1.</p>
GR	General Requirements	<p>GR-B.1: Corrected to reflect applicability of Chapter GR-3. Print off updated GR-B.1: Page 1 of 1.</p> <p>GR-5.3.3: Paragraph changed from Guidance to Rule.</p> <p>GR-5.3.5: Paragraph changed from Guidance to Rule. Print off updated GR-5.3: Page 2-3 of 3.</p> <p>GR5.4.2: Amended to read notices of refusal. Print off updated GR-5.4: Page 1 of 1.</p> <p>GR-7.1: Updated to include additional requirements for cessation of business. Print off updated GR-7.1: Pages 1-2-3 of 3.</p> <p>GR-9: Amended heading to read Key Provisions.</p> <p>GR-9.1.1: Amended to include reference to Form PIIR.</p> <p>GR-9.1.4: New rule added regarding professional indemnity insurance needs of licensees.</p> <p>GR-9.1.7: Prior approval changed to prior notification. Print off updated GR-9.1: Page 1 of 2.</p>

CBB Rulebook (Volume Four) – October 2009 Update (continued)

PART A FOLDER		
Module Code	Module Title	Summary of Changes and Printing Instructions
CA	Capital Adequacy	<p>CA-B.1: New Rules CA-B.1.4 and CA-B.1.3 introduced to clarify calculation of regulatory capital for overseas investment firm licensees. Print off updated CA-B.1: Page 1 of 1.</p> <p>CA-1.1: New Rule CA-1.1.4 introduced regarding CBB's requirements for maintaining capital in Bahrain. Print off updated CA-1.1: Pages 1-2 of 2.</p> <p>CA-1.2: Amended terminology. Print off updated CA-1.2: Page 1 of 2.</p> <p>CA-2.1.5: Amended terminology. Print off updated CA-2.1: Page 1 of 5.</p> <p>CA-2.1.8: Clarified definition of Tier 2 capital. Print off updated CA-2.1: Page 2 of 5.</p> <p>CA-3.4: Clarified definition of foreign exchange requirement. Print off updated CA-3.4: Page 1-2 of 2.</p>
BC	Business Conduct	<p>BC-2.2: Updated client classification and definitions. Print off updated BC-2.2: Pages 1-2 of 2.</p> <p>BC-2.7: Corrected to read accredited investors. Print off updated BC-2.7: Page 4 of 6.</p>
RM	Risk Management	<p>RM-B.1.2: Amended to reflect applicability of Chapters RM-7 and RM-8. Print off updated RM-B.1: Pages 1 of 1.</p> <p>RM-7.1.16: Amended to read approved person. Print off updated RM-7.1: Page 3 of 4.</p> <p>RM-7.3.7: New Rule added to clarify that licensees may not outsource core business activities, including internal audit, to their group. Print off updated RM-7.3: Page 1 of 1.</p> <p>RM-7.4: Updated to reflect CBB's requirements for outsourcing the internal audit function. Print off updated RM-7.4: Page 1 of 1.</p>

CBB Rulebook (Volume Four) – October 2009 Update (continued)

PART A FOLDER		
Module Code	Module Title	Summary of Changes and Printing Instructions
BR	CBB Reporting	<p>BR-1.1: Updated to include CBB's new requirements for preparation and submission of Quarterly Prudential Report and Auditors Report. Print off updated BR-1.1: Pages 1-2 of 2.</p> <p>BR-1.2: Corrected Heading to read Annual Group Return. Print off updated BR-1.2: Page 1 of 1.</p> <p>BR-1.3: Amended to include CBB's requirements for prudential and reporting dates of a branch. Print off updated BR-1.3: Page 1 of 1.</p> <p>BR-1.4: New Section added to include CBB's reporting requirements in accordance with other Modules of Volume 4. Print off updated BR-1.4: Pages 1-2 of 2.</p> <p>BR-2.2: Updated to include CBB's notification requirements in accordance with other Modules of Volume 4. Print off updated BR-2.2: Pages 1-2-3-4-5-6 of 6.</p> <p>BR-2.3: Updated to include CBB's approval requirements in accordance with other Modules of Volume 4. Print off updated BR-2.3: Pages 1-2-3-4-5-6 of 6.</p>
EN	Enforcement	<p>EN-1.2, EN-2.4, EN-2.5 and EN-8.3: Amended/introduced to be consistent with other Volumes of CBB Rulebook. Print off updated EN-1.2, EN-2.4, EN-2.5 and EN-8.3: Pages 1 of 1.</p> <p>EN-2.3: Amended terminology to be consistent with other Volumes of CBB Rulebook. Print off updated EN-2.3: Pages 1 of 1.</p> <p>EN-5.2.7: Paragraph deleted and replaced as it is a repetition of EN-5.2.6. Print off updated EN-5.2: Page 2 of 2.</p>

CBB Rulebook (Volume Four) – October 2009 Update (continued)

PART B FOLDER		
Glossary of Defined Terms		
<ul style="list-style-type: none"> • Changes to definitions of: accredited investor; expert investor and subsidiary undertaking. • New definitions included: investigator; qualified by exception; managing director and retail client. • Deleted definitions of: appointed expert, market counterparty and professional client. 		
CBB Authorisation Forms		
Form 3	Application for Approved Person Status	Minor amendments made to form
CBB Reporting Forms		
QPR	Quarterly Prudential Return	Amendments made based on feedback received from licensees. Added PIIR.
QPR – Reporting Instructions		Previously issued to licensees in January 2009
QPR – Glossary of Defined Terms		Previously issued to licensees in January 2009
Supplementary Information		
EN	Appendix EN-1	New appendix to support investigators' report as outlined in Section EN-2.4.