



EDBS/KH/C/29/2017
4 June 2017

The Chief Executive Officer
All Conventional Banks
All Islamic Banks
Manama
Kingdom of Bahrain

Dear Sir,

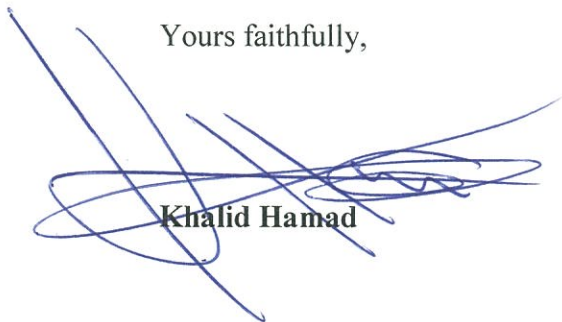
Re: Country & Transfer Risks - Additional Section to Module CM

As part of the CBB's objectives in enhancing its regulatory framework and to be in line with international prudential standards, the CBB is adding a new section on "Country and Transfer Risks" to the Credit Risk Management Module (Module CM), Chapter CM-4 for Volume 1, and CM-3 for Volume 2.

The additional Paragraphs for Volume 1 & Volume 2 are attached for your reference.

Kindly note that the additional Paragraphs will be issued as part of July 2017 Rulebook updates.

Yours faithfully,



Khalid Hamad

- Volume 1:

MODULE	CM:	Credit Risk Management
CHAPTER	CM-4:	Provisioning

CM-4.5 Country & Transfer Risks

CM-4.5.1 The CBB requires all conventional bank licensees to set out their policy on country and transfer risks, including the criteria on downgrading a country exposure from stage 1 to stages 2 or 3, and related provisioning requirements, in a policy statement which must be approved by the CBB.

CM-4.5.2 For the purpose of Paragraph CM-4.5.1, conventional bank licensees, may consider the sovereign risk matrix factors, stipulated in Appendix CM-1 (Sovereign Debt Provision Matrix), and any other factors.

CM-4.5.3 Overseas conventional bank licensees must satisfy the CBB that equivalent arrangements are in place at the parent entity level, otherwise a policy would be required in line with Paragraph CM-4.5.1.

CM-4.5.4 The policy statement set in Paragraph CM-4.5.1 must be implemented with effect from 1st January 2018.

- Volume 2:

MODULE	CM: Credit Risk Management
CHAPTER	CM-3: Assessment of Credit Quality

CM-3.6 Country & Transfer Risks

CM-3.6.1 The CBB requires all Islamic bank licensees to set out their policy on country and transfer risks, including the criteria on downgrading a country exposure from stage 1 to stages 2 or 3, and related provisioning requirements, in a policy statement which must be approved by the CBB.

CM-3.6.2 For the purpose of Paragraph CM-3.6.1, Islamic bank licensees, may consider the sovereign risk matrix factors, stipulated in Appendix CM-1 (Sovereign Debt Provision Matrix), and any other factors.

CM-3.6.3 Overseas Islamic bank licensees must satisfy the CBB that equivalent arrangements are in place at the parent entity level, otherwise a policy statement is required in line with paragraph CM-3.6.1.

CM-3.6.4 The policy statement set in Paragraph CM-3.6.1 must be implemented with effect from 1st January 2018.