



EDBS/KH/0380/2011
24th November, 2011

Chief Executive Officer
All Islamic Banks
Manama
Kingdom of Bahrain

Dear Sir,

Islamic Financial Services Board (IFSB) Standards and Guidance

Over the last few years, the IFSB has issued various standards and guidance applicable to Islamic banks. These standards and guidance are available on the IFSB website (<http://www.ifsb.org>).

The Central Bank of Bahrain ("CBB") is committed to the implementation of the IFSB standards and guidance and has gradually updated its Volume 2 (Islamic Banks) Rulebook to reflect some of these standards and guidance. As part of its work plan for 2012, the CBB is looking at integrating various standards from the IFSB. In particular, work is ongoing dealing with the following IFSB standards:

1. IFSB-1 Guiding Principles of Risk Management

A new Module RM (Risk Management) is in the process of being developed and will be issued for consultation during the coming year. Module RM will integrate the principles contained in IFSB-1.

2. IFSB-2 Corporate Governance and IFSB-10 Shari'a Governance Systems

Module HC (High-level Controls) will be updated to include the corporate governance standards outlined in IFSB-2 and IFSB-10 and will be issued for consultation.

3. IFSB-6 Islamic Collective Investment Schemes

The CBB recently issued for consultation an updated Module CIU (Collective Investment Undertakings) as well as a specific consultation dealing with Restricted Investment Accounts (RIAs). The content of this consultation reflects the requirements of IFSB-6.

4. IFSB- 7 Capital Adequacy Requirements for Sukuk, Securitisations and Real Estate

As work progresses towards the implementation of Basel 3, the CBB will look at the implementation of IFSB-7, upon the finalisation of the current work of the IFSB on capital adequacy (Basel 3).

5. IFSB-9 Conduct of Business

Module BC will be updated and consulted upon to reflect the principles outlined in IFSB-9.

The CBB encourages the Islamic financial industry to be fully familiar with the above IFSB standards in preparation for the upcoming consultations that will take place in 2012 aiming towards full implementation of IFSB standards.

Yours faithfully,



Khalid Hamad

cc: All Local Audit Firms