



OG/106/2020  
17<sup>th</sup> March 2020

**Chief Executive Officers**

All Banks  
All Financing Companies  
All Microfinance Companies  
All Ancillary Services Providers

Dear Sirs

**Re: Regulatory Measures to Contain the Financial Repercussions of the Covid-19**

Further to CBB circular nos. EDBS/KH/C/21/2020, EDBS/KH/C/25/2020 and EDBS/KH/C/26/2020 on the subject matter, CBB is introducing, with immediate effect, the following regulatory measures and relaxations, for a period of six months from the date of this circular, to contain the financial repercussions of the Covid-19:

- 1- Retail banks, financing companies and microfinance companies must offer any impacted borrower 6 months deferral of instalments at no fees, no interest on interest and no increase in rate, unless the borrower agrees for a shorter period. This also applies to impacted credit card holders.
- 2- For Stage 1 ECL, the number of days past due, excluding the deferrals mentioned above, must be increased up to 74 days with effect from 1<sup>st</sup> February 2020.
- 3- Cooling off period for reclassifying restructured credit facilities from Stage 3 to Stage 2 is reduced from twelve months to three months.
- 4- LCR and NSFR limits for all locally incorporated banks are reduced from 100% to 80%.
- 5- Risk weight for capital adequacy purposes for Bahrain based SMEs is reduced from 75% to 25%.
- 6- Retail banks and financing companies must relax their LTV ratio for new residential mortgages for Bahrainis.
- 7- Near field communication (“NFC”) ie. contactless without PIN transaction limit must be increased to BD50/-.

8- Merchant fees imposed by local acquirers on debit card transactions must be capped at 0.8%. Such fees must be distributed as follows:

- 0.35% to the acquirer,
- 0.25% to the issuer, and
- 0.2% to the Benefit Company.

9- CBB will provide retail banks concessionary repo arrangement up to 6 months at zero percent on a case by case basis.

10- Cash reserve ratio for retail banks is reduced from 5% to 3%.

The above regulatory measures and relaxations are subject to review by CBB at the end of the six month period.

Yours Sincerely,



**Rasheed M. Al-Maraj**  
Governor

Cc: - Bahrain Association of Banks  
- External Auditors