



مملكة البحرين  
Kingdom of Bahrain

مؤسسة نقد البحرين  
BAHRAIN MONETARY AGENCY

المدير التنفيذي لرقابة المؤسسات المالية  
Executive Director of Financial Institutions Supervision

EDFIS/137/2005  
3<sup>rd</sup> July, 2005

**The Compliance Officer**  
All Insurance Licensees  
Manama  
Kingdom of Bahrain

Dear Sir,

**BMA Rulebook: Volume 3 (Insurance) - First Quarterly Update**

This is the first quarterly update of Volume 3 of the Rulebook.

Updates to Volume 3 have now been incorporated in the website version of the Rulebook. **Recipients who wish to update their hard copy folders should access the BMA website and print off the relevant pages for insertion into their folder.** Volume 3 can be accessed, as usual, from [www.bma.gov.bh](http://www.bma.gov.bh) (Home > Regulation & Supervision > Rulebook > Volume 3: Insurance).

**The contents pages for each Module contained in Part A of Volume 3 have been updated:** this is done every quarter. These contents pages now show the latest version number and date (e.g. Version 02/July 2005). The contents pages also show the current version number for each section in the Module in question. Only modified sections change their version number; other sections stay as "Version 01" until they are altered. Hard-copy users should print off these contents pages, since they facilitate version control for their Part A folder.

**In addition, additions and corrections to various Modules have been made, as detailed in the attached table.** The main change has been to include anti money laundering requirements updated to take account of the revised FATF 40 +9 Recommendations on Money Laundering and Terrorist Financing, including a new section on non face-to-face business. These requirements come into force with effect from the date of this letter.


The BMA is also currently working on issuing an amended Module FC for all Volumes of the Rulebook, to ensure a more consistent presentation and ordering of AML/CFT requirements across the different Volumes. These revised Modules FC will be issued at the next quarterly update of the Rulebook, in October 2005. These changes will be mainly presentational, however, rather than substantive.

The attached table lists the individual sections of the affected Modules that should be printed, for inclusion in users' hard copy folders.

Insurance firms are also reminded that the consultation period for the proposed amendment to Module CA (Capital Adequacy) ends July 13, 2005. A letter was sent to all insurance firms on June 13, 2005, outlining this amendment. This letter, along with the proposed amendment can also be found on the BMA Website by accessing the Home Page, select 'Regulations & 'Supervision'/'Policy Development'/'Consultations'.

Should you have any queries regarding these updates, you may e-mail the BMA (at [Rulebook@bma.gov.bh](mailto:Rulebook@bma.gov.bh)); alternatively, please speak to your normal supervisory contact.

Yours faithfully,

A handwritten signature in black ink, appearing to be 'As', enclosed within a large, hand-drawn oval loop.

**Anwar Al-Sadah**

Executive Director – Financial Institutions Supervision

Enc.

## BMA Rulebook: Volume Three - First Quarterly Update

| PART A FOLDER |                      |  |
|---------------|----------------------|--|
| Module Code   | Module Title         | Summary of Changes and Printing Instructions   |
| ES            | Executive Summary    | ES-1.1.5 Module BR: corrected that first quarterly return is due for the period ending March 31, 2006. <b>Print off updated Section ES-1.1.</b>  |
| AU            | Authorisation        | <p>AU-1.1: corrections made to cross-reference. <b>Print off updated Section AU-1.1.</b></p> <p>AU-1.2: correction to typo and clarification to AU-1.2.4. <b>Print off updated Section AU-1.2.</b></p> <p>AU-1.4.1: provided possible exclusion to the definition of regulated insurance services. <b>Print off updated Section AU-1.4.</b></p> <p>AU-5.1.2: clarified wording</p> <p>AU-5.1.8 (e): amended to reflect that the cash deposit to be held with a commercial bank also applies to insurance brokers. <b>Print off updated Section AU-5.1.</b></p> <p>AU-5.2: Correction made to cross-reference. <b>Print off updated Section AU-5.2.</b></p> <p>AU-5.3.1 and 5.3.2: corrected reference to Form 4 (Application for Registration). <b>Print off updated Section AU-5.3.</b></p> |
| HC            | High-Level Controls  | HC-1.1.5: Clarification of board approval required> <b>Print off updated Section HC-1.1.</b>   |
| GR            | General Requirements | GR-B.1 and GR-7.1: corrected that cash deposit requirements also apply to insurance brokers and simplified the cash deposit required for insurance firms. <b>Print off updated Sections GR-B.1 and GR-7.1.</b>   |



## BMA Rulebook: Volume Three - First Quarterly Update (continued)

| PART A FOLDER |                  |   |
|---------------|------------------|---|
| Module Code   | Module Title     | Summary of Changes and Printing Instructions  |
| CA            | Capital Adequacy | <p>CA-1.2.8(a): amended that paid up ordinary shares for Tier 1 are net of treasury shares;</p> <p>CA-1.2.8, 1.2.12 and 1.2.21: amended Tier 1 and Tier 2 definitions so that IAS 39 and other unrealised investment gains are only included in Tier 2 capital as these fail to meet the permanency criteria for Tier 1. <b>Print off updated Section CA-1.2.</b></p> <p>CA-4.1.2: corrected cross-reference. <b>Print off updated Section CA-4.1.</b></p> <p>CA-4.2.25: clarified valuation of amounts receivable. <b>Print off updated Section CA-4.2.</b></p> <p>CA-7.1.1: minor correction to list. <b>Print off updated Section CA-7.1.</b></p> <p>CA-8.2.2, 8.3.3, 8.4 and 8.5: minor corrections, typos and cross-references. <b>Print off updated Sections CA-8.2, CA-8.3, CA-8.4 and CA-8.5.</b></p> |
| BC            | Business Conduct | <p>BC-3.4: clarified language of takaful disclosure. <b>Print off updated Section BC-3.4.</b></p>   |
| RM            | Risk Management  | <p>RM-1.1.7: Correction to cross-reference. <b>Print off updated Section RM-1.1.</b></p> <p>RM-6.1: clarified wording of factors to consider concerning operational risk. <b>Print off updated Section RM-6.1.</b></p>  |

## BMA Rulebook: Volume Three - First Quarterly Update (continued)

| PART A FOLDER |                 |   |
|---------------|-----------------|---|
| Module Code   | Module Title    | Summary of Changes and Printing Instructions  |
| FC            | Financial Crime | <p>FC-A.1 Corrected minor typo and references to Glossary. <b>Print off Section FC-A.1.</b></p> <p>FC-2: Chapter revised and renamed Customer Due Diligence.</p> <p>FC-2.2.3: exemptions revised to be aligned with criteria from banking sector.</p> <p>FC-2.2.14: clarified documents required for information verification.</p> <p>FC-2.2.16, FC-2.2.17, FC-2.2.23 and FC-2.2.24: clarified individuals who can certify documents.</p> <p>FC-2.3: added new section on non face-to-face business and technologically advanced business.</p> <p>FC-2.4, FC-2.5 and FC-2.6: sections renumbered as a result of new section FC-2.3 and cross-references corrected. <b>Print off updated Chapter FC-2.</b></p> <p>FC-3: renamed Chapter Suspicious Transaction Reporting.</p> <p>FC-3.2.4: clarified that STR report is to be copied to the Compliance Unit of the BMA. <b>Print off updated Chapter FC-3.</b></p> <p>FC-5: Chapter has been reformatted into two new Sections.</p> <p>FC-5.1.3: clarified that MLRO is an approved person for which Form 3 must be completed and submitted to the BMA for approval.</p> <p>FC-5.1.6: clarified that MLRO must have direct access to the board and senior management (if necessary).</p> <p>FC-5.1.9: Paragraph deleted as repetitive requirement.</p> <p>FC-5.2.1: corrected cross-reference. <b>Print off updated Chapter FC-5.</b></p> <p>FC-6.1.2 and FC-6.1.4: clarified responsibilities and scope for review of effectiveness of AML/CFT. <b>Print off updated Section FC-6.1.</b></p> <p>FC-6.2.4: new Paragraph clarifying availability of records. <b>Print off updated Section FC-6.2.</b></p> <p>FC-6.5.1: corrected cross-reference. <b>Print off Section FC-6.5.</b></p> |

### BMA Rulebook: Volume Three - First Quarterly Update (continued)

| PART A FOLDER |                                       |  |
|---------------|---------------------------------------|--|
| Module Code   | Module Title                          | Summary of Changes and Printing Instructions   |
| IM            | Insurance Intermediaries and Managers | IM-1.2 and IM-2.5 were corrected to reflect that insurance brokers are subject to maintaining a statutory cash deposit. <b>Print off updated Sections IM-1.2 and IM-2.5.</b><br>IM-3.4.1: clarified scope of application of Decree Law No. 4. <b>Print off Section IM-3.4.</b> |
| TA            | Takaful/Retakaful                     | Corrected minor word changes and references in module and clarified language. <b>Print off updated Sections TA-1.1, TA-1.2, TA-2.2, TA-2.4, TA-3.2, TA-4.1 and TA-4.2.</b>   |

| PART B FOLDER |                               |   |
|---------------|-------------------------------|---|
| Module Code   | Module Title                  | Summary of Changes and Printing Instructions  |
| STR           | Suspicious Transaction Report | Issued first version of STR Form and instructions for insurance firms and insurance brokers. <b>Print off STR Form.</b> |