



GENERAL REQUIREMENTS MODULE

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MODULE	GR: General Requirements
CHAPTER	GR-A: Introduction

GR-A.1 Purpose

GR-A.1.1 The General Requirements Module presents a variety of different requirements that are not extensive enough to warrant their own stand-alone Module, but for the most part are generally applicable. These include requirements on books and records; on the use of corporate and trade names; and on controllers and close links. Each set of requirements is contained in its own Chapter: a table listing these and their application to licensees is given in Chapter GR-B.

MODULE	GR: General Requirements
CHAPTER	GR-A: Introduction

GR-A.2 Module History

Evolution of Module

GR-A.2.1 This Module was first issued in April 2006, as part of the first phase of Volume 4 (Investment Business) to be released. It is dated April 2006. All subsequent changes to this Module are annotated with the end-calendar quarter date in which the change was made: Chapter UG-3 provides further details on Rulebook maintenance and version control.

GR-A.2.2 A list of recent changes made to this Module is detailed in the table below:

Module Ref.	Change Date	Description of Changes

Superseded Requirements

GR-A.2.3 This Module supersedes the following provisions contained in circulars or other regulatory instruments:

Circular Ref.	Module Ref.	Subject
BS/07/2004	GR-1	Record keeping requirements
BC/8/2000	GR-5	Controllers of, and holdings and transfers of significant ownership or controlling interests in Agency licensees
Standard Conditions & Licensing Criteria for Licensing for Investment Advisor/Broker	GR-1, GR-9, GR-10	Books and Records; Professional Indemnity Insurance
Standard Conditions & Licensing Criteria for Licensing Investment Advisor/Consultants	GR-1, GR-9, GR-10	Books and Records; Professional Indemnity Insurance; License Fees.
Standard Conditions & Licensing Criteria for Licensing Stockbroking Company	GR-1, GR-9, GR-10	Books and Records; Professional Indemnity Insurance; License Fees.
Standard Conditions & Standard Criteria for Licensing Broking Company	GR-1, GR-9, GR-10	Books and Records; Professional Indemnity Insurance; License Fees.

GR-A.2.4 Further guidance on the implementation and transition to Volume 4 (Investment Business) is given in Module ES (Executive Summary).

MODULE	GR: General Requirements
CHAPTER	GR-B: Scope of Application

GR-B.1 Investment Firm Licensees

GR-B.1.1

The requirements in Module GR (General Requirements) apply to all investment firm licensees, with the exception of Chapter GR-9, which applies to Category 2 and Category 3 investment firms only.

GR-B.1.2

The scope of application of Module GR (General Requirements) is as follows:

Chapter	Bahraini Investment Firm	Overseas Investment Firm
GR-1	GR-1.1 and GR-1.3 apply to the whole firm; GR-1.2 applies to business booked in Bahrain only.	Applies to the Bahrain branch only.
GR-2	Applies to the whole firm.	Applies to the Bahrain branch only.
GR-3	Applies to the whole firm.	Doesn't apply.
GR-4	Applies to the whole firm.	Applies to the Bahrain branch only.
GR-5	Applies to the whole firm.	Applies to the whole firm.
GR-6	Applies to the whole firm.	Applies to the whole firm.
GR-7	Applies to the whole firm.	Applies to the Bahrain branch only.
GR-8	Applies to the whole firm.	Applies to the Bahrain branch only.
GR-9	Applies to Category 2 and 3 investment firms, with respect to Bahrain business.	Applies to the Bahrain branch only.
GR-10	Applies to all Categories of investment firm.	Applies to all Categories of investment firm.

GR-B.1.3

In the case of Bahraini investment firms, certain requirements apply to the whole firm, irrespective of the location of its business; other requirements apply only in respect to business booked in Bahrain. In the case of overseas investment firms, the requirements of Module GR mostly only apply to business booked in the Bahrain branch.

MODULE	GR: General Requirements
CHAPTER	GR-1: Books and Records

GR-1.1 General Requirements

GR-1.1.1 All investment firm licensees must maintain books and records (whether in electronic or hard copy form) sufficient to produce financial statements and show a complete record of the business undertaken by a licensee.

GR-1.1.2 GR-1.1.1 includes accounts, books, files and other records (e.g. trial balance, general ledger, nostro/vostro statements, reconciliations, list of counterparties). It also includes records that substantiate the value of the assets, liabilities and off-balance sheet activities of the licensee (e.g. client activity files and valuation documentation).

GR-1.1.3 Records may be kept in either English or Arabic. Any records kept in languages other than English or Arabic must be accompanied by a certified English or Arabic translation. Records must be kept current. The records must be sufficient to allow an audit of the licensee's business or an on-site examination of the licensee by the BMA.

GR-1.1.4 Translations produced in compliance with Rule GR-1.1.3 may be undertaken in-house, by an employee or contractor of the licensee, providing they are certified by an appropriate officer of the licensee.

GR-1.1.5 Records must be accessible at any time from within the Kingdom of Bahrain, or as otherwise agreed with the BMA in writing.

GR-1.1.6 Where older records have been archived, or in the case of records relating to overseas branches of Bahraini investment firms, the BMA may accept that records be accessible within a reasonably short time frame (e.g. within 5 business days), instead of immediately. The BMA may also agree similar arrangements for overseas investment firms, as well as Bahraini investment firms, where elements of record retention and management have been centralised in another group company, whether inside or outside of Bahrain.

GR-1.1.7 Paragraphs GR-1.1.1 to GR-1.1.6 apply to Bahraini investment firm licensees, with respect to all its business activities. These requirements also apply to overseas investment firm licensees, but only with respect to the business booked in their branch in Bahrain.

MODULE	GR: General Requirements
CHAPTER	GR 1: Books and Records

GR-1.2 Transaction Records

GR-1.2.1 Investment firm licensees must keep completed transaction records for as long as they are relevant for the purposes for which they were made (with a minimum period in all cases of five years from the date when the transaction was completed). Records of completed transactions must be kept in their original form (whether in hard copy and/or electronic format).

GR-1.2.2 For example, if the original documents are paper, they must be kept in their original form. Electronic payments and receipts may be kept electronically without the need for hard copies. The record format selected must be capable of producing complete and accurate financial, management and regulatory reports, and allow monitoring and review of all transactions.

GR-1.2.3 Rule GR-1.2.1 applies only to transactions relating to business booked in Bahrain by the licensee. It does not relate to transactions relating to business booked in overseas branches or subsidiaries of the licensee.

GR-1.2.4 In the case of overseas investment firm licensees, Rule GR-1.2.1 therefore only applies to business booked in the Bahrain branch, not in the rest of the company.



MODULE	GR:	General Requirements
CHAPTER	GR 1:	Books and Records

GR-1.3 Other Records

Corporate Records

GR-1.3.1

Investment firm licensees must maintain the following records in original form or in hard copy at their premises in Bahrain:

- (a) internal policies, procedures and operating manuals;
- (b) corporate records, including minutes of shareholders', directors' and management meetings;
- (c) correspondence with the BMA and records relevant to monitoring compliance with BMA requirements;
- (d) reports prepared by the investment firm licensee's internal and external auditors; and
- (e) employee training manuals and records.

GR-1.3.2

In the case of Bahrain investment firm licensees, these requirements apply to the licensee as a whole, including any overseas branches. In the case of overseas investment firm licensees, all the requirements of Chapter GR-1 are limited to the business booked in their branch in Bahrain and the records of that branch (see GR-1.1.7).

Customer Records

GR-1.3.3

Record keeping requirements with respect to customer records, including customer identification and due diligence records, are contained in Module FC (Financial Crime).

MODULE	GR: General Requirements
CHAPTER	GR 2: Corporate and Trade Names

GR-2.1 Vetting of Names

GR-2.1.1 Investment firm licensees must seek prior approval from the BMA for their corporate name and any trade names, and those of their subsidiaries located in Bahrain.

GR-2.1.2 GR-2.1.1 applies to overseas investment firm licensees only with respect to their Bahrain branch.

GR-2.1.3 In approving a corporate or trade name, the BMA seeks to ensure that it is sufficiently distinct as to reduce possible confusion with other unconnected businesses, particularly those operating in the financial services sector. The BMA also seeks to ensure that names used by unregulated subsidiaries do not suggest those subsidiaries are in fact regulated.

MODULE	GR: General Requirements
CHAPTER	GR-3: Dividends

GR-3.1 BMA Non-Objection

GR-3.1.1 Bahraini investment firm licensees, other than Category 3 investment firms, must obtain a letter of no-objection from the BMA to any dividend proposed, before submitting a proposal for a distribution of profits to a shareholder vote.

GR-3.1.2 The BMA will grant a no-objection letter where it is satisfied that the level of dividend proposed is unlikely to leave the licensee vulnerable – for the foreseeable future – to breaching the BMA’s financial resources requirements, taking into account (as appropriate) trends in the licensee’s business volumes, expenses, trend performance and investment environment.

GR-3.1.3 To facilitate the prior approval required under Paragraph GR-3.1.1, investment firm licensees subject to GR-3.1.1 should provide the BMA with a copy of the proposed agenda for the annual general meeting or other special meeting, noting the licensee’s intended declared dividends for the coming year.

MODULE	GR: General Requirements
CHAPTER	GR 4: Client Asset Transfers

GR-4.1 BMA Approval

GR-4.1.1 An investment firm must seek prior written approval from the BMA before transferring client assets to a third party, in circumstances other than when acting on instruction from the client concerned.

GR-4.1.2 Rule GR-4.1.1 is intended to apply to circumstances where an investment firm wishes to sell part of its business to a third party, or is undertaking winding up proceedings.

GR-4.1.3 In the case of a Bahraini investment firm, Chapter GR-4 applies both to client assets booked in Bahrain and in the firm's overseas branches. In the case of an overseas investment firm, Chapter GR-4 applies only to client assets booked in the firm's Bahrain branch.

GR-4.1.4 In all cases, client assets may only be transferred to third parties that are duly licensed to carry an investment business in the jurisdiction where the client assets are to be held.

GR-4.1.5 Firms intending to apply to transfer client assets are advised to contact the BMA at the earliest possible opportunity, in order that the BMA may determine the nature and level of documentation to be provided and the need for an auditor or other expert opinion to be provided to support the application. The BMA will only approve the transfer of client assets to a third party if it is satisfied that the legitimate interests of the clients concerned will not be adversely affected – notably, the new holder of the client assets should be assessed as financially sound and likely to implement applicable rules relating to client assets and the fair treatment of investors.

GR-4.1.6 Investment firms are also reminded of the requirements regarding client assets contained in Module CL (Client Assets).

MODULE	GR: General Requirements
CHAPTER	GR-5: Controllers

GR-5.1 Key Provisions

GR-5.1.1 Condition 3 of BMA's licensing conditions specifies, amongst other things, that investment firm licensees must satisfy the BMA that their controllers are suitable and pose no undue risks to the licensee. (See Paragraph AU-2.3.1.)

GR-5.1.2 Applicants for an investment firm license must provide details of their controllers, by submitting a duly completed Form 2 (Application for authorisation of controller). (See sub-paragraph AU-5.1.5 (a).)

GR-5.1.3 Investment firm licensees must obtain prior approval from the BMA for any of the following changes to its controllers (as defined in Section GR-5.2):

- (a) a new controller;
- (b) an existing controller increasing its holding from below 20% to above 20%;
- (c) an existing controller increasing its holding from below 50% to above 50%; and
- (d) an existing controller reducing its holding from above 50% to below 50%.

GR-5.1.4 For approval under Paragraph GR-5.1.3 to be granted, the BMA must be satisfied that the proposed increase (or decrease) in control poses no undue risks to the licensee. A duly completed Form 2 (Controllers) must be submitted as part of the request for a change in controllers.

GR-5.1.5 If, as a result of circumstances outside the investment firm licensee's knowledge and/or control, one of the changes specified in Paragraph GR-5.1.3 is triggered prior to BMA approval being sought or obtained, the investment firm licensee must notify the BMA as soon as it becomes aware of the fact and no later than 7 days.

GR-5.1.6 Investment firm licensees are encouraged to notify the BMA as soon as they become aware of events that are likely to lead to changes in their controllers, both through new controllers coming in or existing controllers ceasing to have control. The criteria by which the BMA assesses the suitability of controllers are set out in Section GR-5.3. The BMA aims to respond to requests for approval within 30 calendar days. The BMA may contact references and supervisory bodies in connection with any information provided to support an application for controller. The BMA may also ask for further information, in addition to that provided in the Form 2, if required to satisfy itself as to the suitability of the applicant.

GR-5.1.7 Investment firm licensees must submit, within 3 months of their financial year-end, a report on their controllers. This report must identify all controllers of the licensee, as defined in Section GR-5.2.

MODULE	GR: General Requirements
CHAPTER	GR-5: Controllers

GR-5.2 Definition of Controller

- GR-5.2.1** A controller of an investment firm licensee is a natural or legal person who:
- (a) holds 10% or more of the shares in the licensee ("L"), or is able to exercise (or control the exercise of) more than 10% of the voting power in L; or
 - (b) holds 10% or more of the shares in a parent undertaking ("P") of L, or is able to exercise (or control the exercise of) more than 10% of the voting power in P; or
 - (c) is able to exercise significant influence over the management of L or P.

- GR-5.2.2** For the purposes of Paragraph GR-5.2.1, "person" means the person ("H") or any of the person's associates, where associate includes:
- (a) H's immediate family, i.e. spouse and children (including step-children or adopted children);
 - (b) an undertaking of which H is a director;
 - (c) a person who is an employee or partner of H;
 - (d) if H is a corporate entity, a director of H, a subsidiary of H, or a director of any subsidiary undertaking of H.

- GR-5.2.3** Associate also includes any other person or undertaking with which the person H has entered into an agreement or arrangement as to the acquisition, holding or disposal of shares or other interests in the investment firm licensee, or under which they undertake to act together in exercising their voting power in relation to the investment firm licensee.



MODULE	GR: General Requirements
CHAPTER	GR-5: Controllers

GR-5.3 Suitability of Controllers

GR-5.3.1

A controller of an investment firm licensee must satisfy the BMA of his suitability.

GR-5.3.2

In assessing the suitability of controllers who are natural persons, BMA has regard to their professional and personal conduct, including, but not limited to, the following:

- (a) the propriety of a person's conduct, whether or not such conduct resulted in conviction for a criminal offence, the contravention of a law or regulation, or the institution of legal or disciplinary proceedings;
- (b) a conviction or finding of guilt in respect of any offence, other than a minor traffic offence, by any court or competent jurisdiction;
- (c) any adverse finding in a civil action by any court or competent jurisdiction, relating to fraud, misfeasance or other misconduct in connection with the formation or management of a corporation or partnership;
- (d) whether the person has been the subject of any disciplinary proceeding by any government authority, regulatory agency or professional body or association;
- (e) the contravention of any financial services legislation or regulation;
- (f) whether the person has ever been refused a license, authorisation, registration or other authority;
- (g) dismissal or a request to resign from any office or employment;
- (h) disqualification by a court, regulator or other competent body, as a director or as a manager of a corporation;
- (i) whether the person has been a director, partner or manager of a corporation or partnership which has gone into liquidation or administration or where one or more partners have been declared bankrupt whilst the person was connected with that partnership;
- (j) the extent to which the person has been truthful and open with regulators; and
- (k) whether the person has ever been adjudged bankrupt, entered into any arrangement with creditors in relation to the inability to pay due debts, or failed to satisfy a judgement debt under a court order.

GR-5.3.3

In addition, the following criteria are also taken into consideration:

- (a) the financial resources of the person and the likely stability of their shareholding; and
- (b) existing directorships or ownership of more than 20% of the capital or voting rights of any financial institution in the Kingdom of Bahrain or elsewhere, and the potential for conflicts of interest that such directorships or ownership may imply.



MODULE	GR: General Requirements
CHAPTER	GR-5: Controllers

GR-5.3 Suitability of Controllers (continued)

- GR-5.3.4 In assessing the suitability of corporate controllers, BMA has regard to their financial standing, judicial and regulatory record, and standards of business practice and reputation, including, but not limited to, the following:
- (a) the financial strength of the controller, its parent(s) and other members of its group, its implications for the investment firm licensee and the likely stability of the controller's shareholding;
 - (b) whether the controller or members of its group has ever entered into any arrangement with creditors in relation to the inability to pay due debts;
 - (c) the controller's jurisdiction of incorporation, location of Head Office, group structure and close links, and the implications for the investment firm licensee as regards effective supervision of the investment firm licensee and potential conflicts of interest;
 - (d) the controller's (and other group members') propriety and general standards of business conduct, including the contravention of any laws or regulations, or the institution of disciplinary proceedings by a government authority, regulatory agency or professional body;
 - (e) any adverse finding in a civil action by any court or competent jurisdiction, relating to fraud, misfeasance or other misconduct;
 - (f) any criminal actions instigated against the controller or other members of its group, whether or not this resulted in an adverse finding; and
 - (g) the extent to which the controller or other members of its group have been truthful and open with regulators and supervisors.

MODULE	GR: General Requirements
CHAPTER	GR-5: Controllers

GR-5.4 Approval Process

GR-5.4.1 Following receipt of an approval request under Paragraph GR-5.1.3, the BMA will issue a written notice of objection if it is not satisfied that the person concerned is suitable to become a controller of the investment firm licensee. The notice of objection will specify the reasons for the objection and specify the applicant's right of appeal.

GR-5.4.2 Notices of objection have to be approved by an Executive Director of the BMA. The applicant has 30 calendar days from the date of the notice in which to make written representations. The BMA then has 30 calendar days from the date of the representation in which to consider any mitigating evidence submitted and make a final determination. See Module EN (Enforcement).

GR-5.4.3 Where a person has become a controller by virtue of his shareholding in contravention of Paragraph GR-5.1.3, or a notice of objection has been served to him under Paragraph GR-5.4.1 and the period of appeal has expired, the BMA may, by notice in writing served on the person concerned, direct that his shareholding shall, until further notice, be subject to all or any of the following restrictions:

- (a) no voting right shall be exercisable in respect of those shares; and
- (b) except in a liquidation, no payment shall be made of any sum due on the shares from the investment firm licensee, whether in respect of capital, dividend or otherwise.

MODULE	GR: General Requirements
CHAPTER	GR 6: Close Links

GR-6.1 Key Provisions

GR-6.1.1 Condition 3 of BMA's licensing conditions specifies, amongst other things, that investment firm licensees must satisfy the BMA that their close links do not prevent the effective supervision of the licensee and otherwise pose no undue risks to the licensee. (See Paragraph AU-2.3.1).

GR-6.1.2 Applicants for an investment firm license must provide details of their close links, as provided for under Form 1 (Application for a License). (See Paragraph AU-5.1.1).

GR-6.1.3 Investment firm licensees must submit to BMA, within 3 months of their financial year-end, a report on their close links. The report must identify all undertakings closely linked to the licensee, as defined in Section GR-6.2.

GR-6.1.4 Investment firm licensees may satisfy the requirement in Paragraph GR-6.1.3 by submitting a corporate structure chart, identifying all undertakings closely linked to the licensee.

GR-6.1.5 Investment firm licensees must provide information on undertakings with which they are closely linked, as requested by BMA.



MODULE	GR: General Requirements
CHAPTER	GR 6: Close Links

GR-6.2 Definition of Close Links

GR-6.2.1

An investment firm licensee (“L”) has close links with another undertaking (“U”), if:

- (a) U is a parent undertaking of L;
- (b) U is a subsidiary undertaking of L;
- (c) U is a subsidiary undertaking of a parent undertaking of L;
- (d) U, or any other subsidiary undertaking of its parent, owns or controls 20% or more of the voting rights or capital of L; or
- (e) L, any of its parent or subsidiary undertakings, or any of the subsidiary undertakings of its parent, owns or controls 20% or more of the voting rights or capital of U.



MODULE	GR: General Requirements
CHAPTER	GR 6: Close Links

GR-6.3 Assessment Criteria

- GR-6.3.1 In assessing whether an investment firm licensee's close links may prevent the effective supervision of the firm, or otherwise poses no undue risks to the investment firm licensee, the BMA takes into account the following:
- (a) whether the BMA will receive adequate information from the investment firm licensee, and those with whom the licensee has close links, to enable it to determine whether the licensee is complying with BMA requirements;
 - (b) the structure and geographical spread of the licensee, its group and other undertakings with which it has close links, and whether this might hinder the provision of adequate and reliable flows of information to the BMA, for instance because of operations in territories which restrict the free flow of information for supervisory purposes;
 - (c) in the case of an overseas investment firm licensee, whether the investment firm licensee and its group will be subject to supervision on a consolidated basis (for example, if a financial resources requirement is determined for the group as a whole); and
 - (d) whether it is possible to assess with confidence the overall financial position of the group at any particular time, and whether there are factors that might hinder this, such as group members having different financial year ends or auditors, or the corporate structure being unnecessarily complex and opaque.

MODULE	GR: General Requirements
CHAPTER	GR 7: Suspension of Business

GR-7.1 BMA Approval

GR-7.1.1 An investment firm licensee wishing to suspend its operations and liquidate its business must notify the BMA in writing, setting out how it proposes to do so, and in particular, how it will treat any client assets that it holds.

GR-7.1.2 If the investment firm licensee wishes to transfer client assets to a third party, it must comply with the requirements contained in Chapter GR-4.

GR-7.1.3 If the investment firm licensee wishes to liquidate its business, the BMA will revise its license to restrict the firm from entering into new business. The licensee must continue to comply with all applicable BMA requirements until such time as it is formally notified by the BMA that its obligations have been discharged and that it may surrender its license.

GR-7.1.4 An investment firm licensee in liquidation must continue to meet its contractual and regulatory obligations to clients and creditors.

GR-7.1.5 Once the investment firm licensee believes that it has discharged all its remaining contractual obligations to clients and creditors, it must publish a notice in two national newspapers in Bahrain approved by the BMA (one being in English and one in Arabic), stating that it has settled all its dues and wishes to leave the market.

GR-7.1.6 The notice referred to in Paragraph GR-7.1.5 must include a statement that written representations concerning the liquidation may be sent to the BMA before a specified day, which shall not be earlier than sixty days after the day of the first publication of the notice. The BMA will not decide on the application until after considering any representations made to the BMA before the specified day.

GR-7.1.7 If no objections to the liquidation are upheld by the BMA, then the BMA may issue a written notice of approval for the surrender of the license.

MODULE	GR: General Requirements
CHAPTER	GR 8: Appointed Representatives

GR-8.1 Key Provisions

GR-8.1.1 An investment firm licensee may appoint as its representative a person who is not directly authorised by the BMA, known as an appointed representative. Investment firm licensees that appoint appointed representatives are called licensed principals.

GR-8.1.2 Appointed representatives are persons acting on behalf, and under the overall control of a licensed principal. They are effectively an extension of the licensed principal. The licensed principal takes full responsibility for the actions of their appointed representatives vis-à-vis the BMA.

GR-8.1.3 An appointed representative may be a natural or corporate person.

GR-8.1.4 An appointed representative may act on behalf of no more than one investment firm licensee, or a single corporate group comprising several licensed entities.

GR-8.1.5 An appointed representative may only undertake on behalf of its licensed principal the types of business for which the licensed principal is authorised to undertake by the BMA.



MODULE	GR: General Requirements
CHAPTER	GR-8: Appointed Representatives

GR-8.1 Key Provisions (continued)

GR-8.1.6

An appointment by an investment firm licensee of an appointed representative must be the subject of a written contract of agency. This contract must state, inter alia:

- (a) the name of the appointed representative;
- (b) the name of the licensed principal;
- (c) that the licensed principal is responsible for the actions and conduct of the representative concerned when acting or purporting to act under it, with respect to regulated activities (without prejudice to any rights to bring actions for damages by the licensed principal against the appointed representative or vice versa);
- (d) the type(s) of business for which the agency is granted;
- (e) that the appointed representative allows full access to the BMA, the licensed principal and the licensed principal's external auditors, given reasonable notice, to all records relating to the business falling within its agency;
- (f) the terms and conditions for the handling of and accounting for client money, including a statement that the appointed representative is acting solely as agent of the licensed principal in the handling of such money; and
- (g) the conditions for cancellation, which cannot alter or cancel the continuing responsibility of the investment firm licensee to take responsibility for the appointed representative's action and conduct (without prejudice to any rights to bring actions for damages by the licensed firm against the representative or vice versa).

MODULE	GR: General Requirements
CHAPTER	GR-8: Appointed Representatives

GR-8.1 Key Provisions (continued)

GR-8.1.7 The powers of access given to the BMA and the licensed principal's auditors by sub-Paragraph GR-8.1.6 (e) are in order to ensure that the agency's relationship between the licensed principal and the appointed representative does not impede the effective supervision of the licensed principal by the BMA.

GR-8.1.8 Once appointed, the licensed principal must take full responsibility for the actions and conduct of the appointed representative, in respect of any matters of compliance with, or breach of, the requirements of the BMA Rulebook that relate to activities of the appointed representative acting within the real or implied authority of the licensed principal. This is without prejudice to any rights of redress the licensed principal may have at law against the appointed representative.

GR-8.1.9 The licensed principal must ensure that the appointed representative complies with the provisions of the BMA Rulebook applicable to the activities being undertaken in accordance with the agency, including, but not limited to:

- (a) record keeping;
- (b) business conduct; and
- (c) financial crime regulations.

GR-8.1.10 The licensed principal must ensure that periodic monitoring of the appointed representative is undertaken to ensure the adequacy of the systems and controls in place. The licensed principal or an appropriately qualified independent party may undertake this monitoring.

GR-8.1.11 All appointments of appointed representatives, variations in terms of appointment and cancellations of appointment must be notified in writing to the BMA no later than 5 working days after they have taken place.

GR-8.1.12 An appointed representative must at all times act within the limits of his authority in the conduct of activities covered by the terms of the agency agreement.

GR-8.1.13 An appointed representative must disclose to clients the relationship that he has with the licensed principal and any other parties, that could reasonably be considered material to the investment transaction concerned.



MODULE	GR: General Requirements
CHAPTER	GR-9: Professional Indemnity Coverage

GR-9.1 Category 2 and 3 Investment Firms

GR-9.1.1 Category 2 and 3 investment firms must maintain professional indemnity coverage, acceptable to the BMA. They must provide, upon request, evidence to the BMA of the coverage in force.

GR-9.1.2 The above requirement will normally be met by the investment firm licensee concerned obtaining an insurance policy from an insurance firm. BMA may also accept an insurance indemnity policy issued at group level, e.g. issued with respect to the parent of the investment firm licensee, provided the terms of the policy explicitly provide indemnity coverage with respect to the investment firm licensee. Similarly, overseas investment firms may provide evidence of professional indemnity coverage maintained by their head office, providing that the coverage of the professional indemnity extends to the operations of the branch operating in Bahrain.

GR-9.1.3 Upon written application to the BMA, the requirement in Rule GR-9.1.1 may instead be met by the investment firm depositing with a commercial bank licensed to operate in the Kingdom of Bahrain, an amount, specified by the BMA, to be held in escrow against future claims. This amount will not be less than the minimum required policy limit.

GR-9.1.4 The minimum limit of indemnity is BD 100,000 for Category 2 investment firms and BD 75,000 for Category 3 investment firms.

GR-9.1.5 The maximum excess or deductible allowable under the policy shall be BD 15,000.

GR-9.1.6 Unless otherwise agreed in writing with the BMA, the policy must contain a clause that it may not be cancelled or lapsed without the prior approval of the BMA. The policy must also contain a provision for an automatic extended reporting period in the event that the policy is cancelled or lapsed, such that claims relating to the period during which the policy was in force may subsequently still be reported.

GR-9.1.7 If a Category 2 or 3 investment firm licensee applies to the BMA for a voluntary surrender of its authorisation, it must ensure that suitable arrangements are in place for professional indemnity coverage to continue in respect of any unreported claims arising from past sales or advice.

MODULE	GR: General Requirements
CHAPTER	GR-9: Professional Indemnity Coverage

GR-9.1 Category 2 and 3 Investment Firms (continued)

GR-9.1.8 The BMA will not allow a voluntary surrender of authorisation to take effect until the investment firm licensee, in the opinion of the BMA, has discharged all its regulatory responsibilities to its customers. See also Section AU-5.5, on the withdrawal of authorised status.

GR-9.1.9 As provided for in Module ES, professional indemnity coverage requirements must be met by Category 2 and 3 investment firms, which were licensed prior to the introduction of Volume 4 (Investment Business) in April 2006, by December 31, 2006. Category 2 and 3 investment firms licensed after April 2006 are required to comply with the BMA's professional indemnity coverage requirements, from the point they are given a license.

GR-9.1.10 Category 2 and 3 investment firms must prominently display in their premises a notice stating that they have in place professional indemnity coverage that meets the minimum requirements of the BMA and the period of coverage, such that claims relating to the period during which the policy was in force may subsequently still be reported.

GR-9.1.11 The above notice may either be issued by the insurance company on behalf of the investment firm licensee, or by the licensee itself. The notice should specify the main features of the coverage maintained (or, where relevant, the amount of funds placed in escrow, in accordance with Rule GR-9.1.3). It should also specify the procedures for submitting a claim under the coverage maintained.



MODULE	GR: General Requirements
CHAPTER	GR-10: BMA Fees

GR-10.1 Annual License Fees

GR-10.1.1

Investment firm licensees must pay the relevant annual license fee to the BMA, upon the issuance of their license and thereafter on 1 January each year. The annual license fee charged upon issuance of a license is charged on a pro-rata basis, proportionate to the period remaining between the issuance of the license and the end of the calendar year in question.

GR-10.1.2

The annual license fee payable is as follows:

- Category 1 investment firms: BD 4,000
- Category 2 investment firms: BD 1,000
- Category 3 investment firms: BD 500

GR-10.1.3

The above fee structure is temporary, pending the development of an integrated license fee structure covering all BMA licensees. Such a system, which will be the subject of consultation prior to implementation, is to be finalized for implementation in January 2007. The guiding principles of the new system will be (i) to remain internationally competitive in terms of direct costs imposed on licensees; (ii) to be relatively simple and straightforward to calculate and apply; and (iii) to align more closely the level of fees charged with the scale and likely complexity of a licensee.