



USER'S GUIDE MODULE

MODULE:	UG (User's Guide)
Table of Contents	

		Current Issue Date
UG-A: Introduction		
UG-A.1	Purpose	04/2006
UG-A.2	Module History	04/2006
UG-1: Rulebook Status and Application		
UG-1.1	Legal Basis	04/2006
UG-1.2	Status of Provisions	04/2006
UG-1.3	Application	04/2006
UG-1.4	Effective Date	04/2006
UG-2: Rulebook Structure and Format		
UG-2.1	Rulebook Structure	04/2006
UG-2.2	Volume Structure	04/2006
UG-2.3	Format and Page Layout	04/2006
UG-3: Rulebook Maintenance and Access		
UG-3.1	Rulebook Maintenance	04/2006
UG-3.2	Rulebook Access	04/2006

MODULE	UG: User's Guide
CHAPTER	UG-A: Introduction

UG-A.1 Purpose

- UG-A.1.1 The Bahrain Monetary Agency (“the BMA”), in its capacity as the regulatory and supervisory authority for all financial institutions in Bahrain, issues regulations that licensees are legally obliged to comply with. These regulations were in the past issued in the form of individual circulars. The BMA is now in the process of redrafting these circulars into a comprehensive Rulebook.
- UG-A.1.2 The Rulebook is divided into 5 Volumes, covering different areas of financial services activity. These Volumes are being issued successively during 2004-07. Volumes 1 and 2, covering conventional and Islamic bank licensees respectively, were issued in July 2004 and January 2005; Volume 3, covering insurance licensees, was issued in April 2005. This Volume (Volume 4), is being issued in two phases, starting in April 2006. Finally, Volume 5, covering specialised licensees, will be issued in 2007.
- UG-A.1.3 This Users’ Guide provides guidance on (i) the status and application of the Rulebook, with specific reference to Volume 4 (Investment Business); (ii) the structure and design of the Rulebook; and (iii) its maintenance and version control.
- UG-A.1.4 Volume 4 (Investment Business) covers investment firm licensees, i.e. those BMA licensees that solely undertake regulated investment services. It contains prudential requirements (such as rules on minimum capital and risk management); and conduct of business requirements (such as rules on the giving of investment advice and the treatment of client money). Collectively, these requirements are aimed at ensuring the safety and soundness of BMA-licensed investment firms, and providing an appropriate level of protection to the clients of such firms.
- UG-A.1.5 For the sake of clarity, Volume 4 (Investment Business) does not cover requirements that are generally applicable to participants in Bahrain’s capital markets, irrespective of whether they are a BMA licensee or not, such as disclosure standards with regards to the issuance of securities or rules against insider trading or other forms of market abuse. Nor does it cover requirements applicable to recognised exchanges (such as the Bahrain Stock Exchange) and their related infrastructure (such as central clearing and depository systems), or the membership rules applicable to members of such exchanges. These other requirements are issued separately, in the form of regulations issued by the BMA’s Capital Markets Supervision Directorate, and the Bahrain Stock Exchange.

MODULE	UG: User's Guide
CHAPTER	UG-A: Introduction

UG-A.2 Module History

Evolution of Module

UG-A.2.1 This User's Guide - Module UG - 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.

UG-A.2.2 A list of recent changes made to this Module is provided below:

Module Ref.	Change Date	Description of Changes

Superseded Requirements

UG-A.2.3 This Module does not supersede any previously issued circulars or other regulatory instruments.

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

MODULE	UG: User's Guide
CHAPTER	UG-1: Rulebook Status and Application

UG-1.1 Legal Basis

- UG-1.1.1 Volume 4 (Investment Business) of the BMA Rulebook is issued by the BMA pursuant to Legislative Decree No. 23 of 1973, with respect to the establishment, administration and operations of the BMA ("the BMA law 1973"). Articles 14(d), 14(g) and 41 of the BMA law 1973, enable the BMA to lay down the regulations and control provisions for financial and investment organisations. Other articles in the BMA law 1973 also confer various specific powers on the BMA. Where these provide the legal basis for a certain requirement, then these articles are referred to in the Purpose Section of the specific Module concerned.
- UG-1.1.2 Volume 4 (Investment Business) replaces all regulations currently in force with regard to investment firms. Each Module - in its Module History Section - lists (where applicable) those circulars and other regulatory instruments that are superseded by the Module in question.
- UG-1.1.3 Investment firm licensees that are members of the Bahrain Stock Exchange are reminded that they are also subject to the membership and operating rules of that exchange. These rules are issued by the Bahrain Stock Exchange under powers given the Exchange under the Bahrain Stock Exchange Law, Decree No. 4 of 1987 (as amended by Decree No. 21 of 2002). These rules are additional to the requirements contained in Volume 4 (Investment business).

MODULE	UG: User's Guide
CHAPTER	UG-1: Rulebook Status and Application

UG-1.2 Status of Provisions

UG-1.2.1 The contents of the BMA Rulebook have the formal status of either Rules or Guidance.

UG-1.2.2 Rules have a binding effect. If a licensee or person breaches a Rule to which it is subject, it is liable to enforcement action by the BMA and, in certain cases, criminal proceedings by the Office of the Public Prosecutor.

UG-1.2.3 The BMA's enforcement processes are set out in Module EN.

UG-1.2.4 Guidance is not binding. It is material that helps inform a particular Rule or set of Rules, or provides other general information.

UG-1.2.5 Where relevant, compliance with Guidance will generally lead the BMA to assess that the rule(s) to which the Guidance relates has been complied with. Conversely, failure to comply with Guidance will generally be viewed by the BMA as tending to suggest breach of a Rule.

UG-1.2.6 The status of each paragraph within the Rulebook is identified by its text format, as follows:

- Rules are in bold, font size 12. The paragraph reference number is also highlighted in a coloured box.
- Guidance is in normal type, font size 11.

UG-1.2.7 Where there are differences of interpretation over the meaning of a Rule or Guidance, the BMA reserves the right to apply its own interpretation.

UG-1.2.8 Rule UG-1.2.7 does not prejudice the rights of an authorised person to make a judicial appeal, should it believe that the BMA is acting unreasonably or beyond its legal powers.

MODULE	UG: User's Guide
CHAPTER	UG-1: Rulebook Status and Application

UG-1.3 Application

- UG-1.3.1 Volume 4 of the BMA Rulebook for the most part applies only to investment firm licensees and to individuals undertaking key functions in those licensees (so-called “approved persons”). Volume 4 also provides for the registration of persons carrying on the business of an administrator, with respect to financial instruments. Further information and relevant definitions are provided in Module AU (Authorisation).
- UG-1.3.2 A few Rules and Guidance have general applicability, regardless of regulatory status: for instance, no one may carry on investment business within or from Bahrain without the appropriate license. Providers or persons whose authorisation has been surrendered or cancelled are no longer subject to the Rulebook, except where explicitly provided for.
- UG-1.3.3 Each Module in Volume 4 (except those listed under the ‘Introduction’ and ‘Sector Guides’ headings) contains a Scope of Application Chapter, setting out which Rules and Guidance apply to which particular type of investment firm licensee or person, for the Module concerned. In addition, each Rule, or Section containing a series of Rules, is drafted such that its application is clearly highlighted for the user.

MODULE	UG: User's Guide
CHAPTER	UG-1: Rulebook Status and Application

UG-1.4 Effective Date

UG-1.4.1 Volume 4 (Investment Business) of the BMA Rulebook was first issued in April 2006. Its contents have immediate effect, subject to any specific transition arrangements that may be specified.

UG-1.4.2 Module ES (Executive Summary) contains details of the implementation and transition arrangements for Volume 4 (Investment Business).

MODULE	UG: User's Guide
CHAPTER	UG-2: Rulebook Structure and Format

UG-2.1 Rulebook Structure

Rulebook Volumes

UG-2.1.1 The Rulebook is divided into 5 Volumes, covering different areas of financial services activity, as follows:

Volume 1	Conventional Banks
Volume 2	Islamic Banks
Volume 3	Insurance
Volume 4	Investment Business
Volume 5	Specialised Activities

UG-2.1.2 Volume 5 (Specialised Activities), covers money changers; finance leasing companies; consumer finance companies; mono-line credit card companies; representative offices; and providers of ancillary services to the financial sector.

Rulebook Contents (Overview)

UG-2.1.3 Except for Volume 5, the basic structure of each Rulebook is the same. Each Volume starts with a contents page and an introduction containing a User's Guide and Executive Summary. Subsequent material is organised underneath the following headings:

- High Level Standards
- Business Standards
- Reporting Requirements
- Enforcement and Redress; and, where appropriate,
- Sector Guides

UG-2.1.4 Volume 5 is organised by the category of specialised firm concerned.

UG-2.1.5 The material in Volumes 1-4 is contained in Modules, each covering a specific area of requirements (e.g. capital). In turn, each Module is divided into Chapters, Sections and Paragraphs, as detailed below.

UG-2.1.6 Each Volume has its own appendix Volume containing relevant reporting and authorisation forms; a glossary; and any supplementary information. In all cases, the main Volume is called "Part A" and the appendix Volume is called "Part B".

MODULE	UG: User's Guide
CHAPTER	UG-2: Rulebook Structure and Format

UG-2.2 Volume Structure

Modules

- UG-2.2.1 Rulebook Volumes are subdivided into Modules, arranged in groups according to their subject matter, underneath the headings listed in Paragraph UG-2.1.3 above.
- UG-2.2.2 Each Module in a Volume is referenced using a two-letter code, which is usually a contraction or abbreviation of its title. These codes are used for cross-referencing within the text.

Chapters

- UG-2.2.3 Each Module consists of Chapters, categorised into two types:
- Standard introductory Chapters (referenced with a letter: e.g. UG-A); and
 - Chapters containing the substantive content of the Module (referenced with a number: e.g. CA-1, ML-2, etc.)
- UG-2.2.4 The introductory Chapters summarise the purpose of the Module, its history (in terms of changes made to its contents) and, where applicable, lists previously issued circulars and regulations that were replaced by the Rulebook Module. A separate introductory Chapter also prescribes the scope of application of the Module's requirements.

Sections and Paragraphs

- UG-2.2.5 Chapters are further sub-divided into Sections: these extend the Chapter numbering (e.g. FC-1.1, 1.2, 1.3 etc). In turn, Sections are sub-divided into Paragraphs: these extend the Chapter and Section numbering (e.g. FC-1.1.1, 1.1.2, 1.1.3 etc). Where appropriate, sub-section headings may be used, to guide the reader through a Section: sub-section headings are italicised and unnumbered, and act purely as an indicator (without limitation) as to the contents of the Paragraphs that follow.

Table of Contents

- UG-2.2.6 Each Volume's contents page lists all the Modules contained within it (Part A) and the information contained in the relevant appendix Volume (Part B).
- UG-2.2.7 The contents page of each Module lists the Chapters and sub-sections it contains, page references and the latest version number of each Chapter in issue.

MODULE	UG: User's Guide
CHAPTER	UG-2: Rulebook Structure and Format

UG-2.3 Format and Page Layout

Headers

- UG-2.3.1 The top of each page in the Rulebook identifies the Volume, Module and Chapter in question.

Footers

- UG-2.3.2 The bottom of each page in the Rulebook (on the left hand side) identifies the Module in question, its section and page number. Page numbering starts afresh for each Section: the total number of pages in each Section is shown as well as the individual page number. The bottom right hand side shows an end-calendar quarter issue date. The contents page for each Module, and each Section in a Module, are each given their own issue date. In addition, the Module contents page lists the latest issue date for each Section in that Module. The contents page thus acts as a summary checklist of the current issue date in force for each Section. Further explanation is provided in Section UG-3.1 below.

Defined terms

- UG-2.3.3 Defined terms used in the Rulebook are underlined. Each Volume has its own glossary listing defined terms and giving their meaning. Definitions of terms used apply only to the Volume in question. It is possible for the same term to be used in a different Volume with a different meaning.

Cross-references

- UG-2.3.4 Any cross-references given in a text state the Module code, followed (where appropriate) by the numbering convention for any particular chapter, section or paragraph being referred to. For example, the cross-reference FC 1.2.3 refers to the third Paragraph in the second Section of the First Chapter of the Financial Crime Module. Many references will be quite general, referring simply to a particular Module, Chapter or Section, rather than a specific Paragraph.

Text format

- UG-2.3.5 Each Paragraph is assigned a complete reference to the Module, Chapter, and Section, as well as its own paragraph number, as explained in Paragraph UG-2.3.4 above. The format of the Paragraph reference and text indicates its status as either a Rule or Guidance, as explained in Paragraph UG-1.2.4 above.
- UG-2.3.6 When cross-referring to specific Paragraphs, and it is important to make clear the status of the Paragraph in question as a Rule or Guidance, then the words 'Rule' or 'Guidance' may be used instead of 'Paragraph', followed by the reference number (e.g. "As required by Rule FC-1.1.1, licensees must...").

MODULE	UG: User's Guide
CHAPTER	UG-3: Rulebook Maintenance and Access

UG-3.1 Rulebook Maintenance

Quarterly Updates

- UG-3.1.1 Changes to the Rulebook are made on a quarterly cycle. After the end of each calendar quarter, in early January, April, July and October, the BMA automatically reissues the contents page of each Module. Users can thus determine whether they have access to the latest copy of these contents pages, by checking that they have those marked with the most recent end-calendar quarter issue date.
- UG-3.1.2 In turn, the contents page for each Module lists the current issue date of each Section in that Module. The Module contents pages thus act as a checklist for users to verify that they have the current requirements.
- UG-3.1.3 A summary of any changes made to a Module is included in the Module History section of each Module. The table summarises the nature of the change made, the date of the change, and the Module components and relevant pages affected. The Module History can thus be used to identify which pages were updated within individual Sections.
- UG-3.1.4 Where changes to the regulations are required, then the affected pages are re-issued, in addition to the contents and Module History pages for each Module. Wherever possible, changes are made so as to limit the number of pages affected within a Section, rather than re-issuing a whole Section, Chapter or Module.
- UG-3.1.5 The quarterly updates are automatically posted to the BMA website, together with a summary of changes for that quarter. Licensees are in addition e-mailed the summary of each quarter's changes. Hard-copy users are required to print off the updated pages from the website to incorporate in their Rulebook in order to keep it current.

Changes to Numbering

- UG-3.1.6 In order to limit the knock-on impact of inserting or deleting text on the numbering of text that follows the change, the following conventions apply:
- (a) Where a new Paragraph is inserted, it retains the numbering of the previous text, but with the addition of an "A"; a second inserted Paragraph that follows immediately afterwards would be numbered with a "B", and so on.

For example, if a new Paragraph needs to be inserted after UG-3.1.6, it would be numbered UG-3.1.6A; a second new Paragraph would be numbered UG-3.1.6B, and so on. This convention avoids the need for renumbering existing text that follows an insertion. The same principle is applied where a new Section or a new Chapter needs to be inserted: for example, UG-3.1A (for a new Section), and UG-3A (for a new Chapter).

MODULE	UG: User's Guide
CHAPTER	UG-3: Rulebook Maintenance and Access

UG-3.1 Rulebook Maintenance

Changes to Numbering (continued)

- UG-3.1.6 (b) Where a Paragraph is deleted, then the numbering of the old Paragraph is retained, and the following inserted in square brackets: “[This Paragraph was deleted in April 2006.]” (The date given being the actual end-calendar quarter date of the deletion.) The same principle is applied with respect to Sections and Chapters.
- UG-3.1.7 Where many such changes have built up over time, then the BMA may reissue the whole Section, Paragraph, Chapter or even Module concerned, consolidating all these changes into a renumbered version.

MODULE	UG: User's Guide
CHAPTER	UG-3: Rulebook Maintenance and Access

UG-3.2 Rulebook Access

Availability

- UG-3.2.1 The Rulebook is available on the BMA website, on CD-ROM and in hard copy. The website version of the Rulebook acts at all times as the definitive version of the Rulebook. Order forms for CD-ROMs and hard copies are available on the BMA website or from the Licensing & Policy Directorate of the BMA; a copy is also attached to this section. Contact details are as follows:

Rulebook Section
Licensing & Policy Directorate
Bahrain Monetary Agency
P.O. Box 27
Manama
Kingdom of Bahrain

Tel: +973-17 547 413
Fax: +973-17 530 228
E-mail: rulebook@bma.gov.bh
Web: www.bma.gov.bh

Queries

- UG-3.2.2 Questions regarding the administration of the Rulebook (e.g. ordering additional copies, website availability, the updating of material etc) should be addressed to the Rulebook Section of the Licensing & Policy Directorate (see contact details in Paragraph UG-3.2.1). Questions regarding interpretation of the policy and requirements contained in the Rulebook should be addressed to the licensee's regular supervisory point of contact within the BMA.

BMA Rulebook Order Form

INSTRUCTIONS

Please complete all relevant boxes, taking particular care to provide full contact and address details. The completed form should be sent (accompanied with the appropriate payment) to:

**Bahrain Monetary Agency
(Rulebook Section, Licensing & Policy Directorate)
PO Box 27
Manama
Kingdom of Bahrain**

**For enquiries, please contact:
Phone: +973 – 17 547 413
E-mail: rulebook@bma.gov.bh**

ORDER REQUIREMENT

ORDER REQUIREMENT			
Rulebook Volume Number	Hard-Copy ¹ : number required (at BD 110 each)	CD-ROM ² : number required (at BD 5 each)	Cost:
1 (Parts A & B) Conventional Banks			
2 (Parts A & B) Islamic Banks			
3 (Parts A & B) Insurance			
4 (Parts A & B) Investment Business			
5 (Parts A & B) Specialised Licensees (Due 2007)			
POSTAGE	The above prices include postage for delivery within the Kingdom of Bahrain. Postage for international orders will be charged at cost; please contact the BMA (see above) for details of rates and delivery options.		
1: Hard copy subscribers are provided the latest version of the Rulebook Volume(s) ordered, which they can then keep up to date by printing off new or amended pages from the BMA website (www.bma.gov.bh). 2: CD-ROM subscribers are sent the latest available version of the complete Rulebook (i.e. the CD-ROM contains all Volumes that have been issued).			Total Cost:

ADDRESS / PAYMENT DETAILS

Name	
Institution (if applicable)	
Full Postal Address	
Contact e-mail / telephone / fax	<u>E-mail:</u> <u>Telephone:</u> <u>Fax:</u>
Please remember to enclose your payment with the order	Payment should be by cheque drawn on a Bahraini-licensed bank, payable in Bahraini Dinars. Cheques should be made out to "Bahrain Monetary Agency". Persons ordering from outside Bahrain should contact the BMA (see above) for postage rates and payment options.