



EDBS/KH/C/3/2015
29th January 2015

Chief Executive Officer/General Manager

All Conventional Bank Licensees

Manama

Kingdom of Bahrain

Dear Sir,

CBB Rulebook: Volume 1 – January 2015 Quarterly Update

The latest quarterly update to Volume 1 has now been incorporated in the website version of the Rulebook.¹

Changes for January 2015

The changes for January 2015 are listed in the attached table. The major portion of the amendments is applicable to all Bahraini banks. In instances where the amendments affect other licensees, these have been noted in the attached table.

The major release for this update deals with revisions to Modules CA, BR and CM to be aligned with the new capital adequacy framework that was released earlier by the CBB following consultation with the industry.

Note that since Module CA has been amended significantly, the HTML version is shown as a totally new version of the document. However, the PDF version has all changes highlighted.

The realignment of the above Modules has resulted in Module PCD being deleted and its contents integrated within the other parts of Volume 1.

The CBB will be issuing the updated PIR (Appendix BR-5), Guidelines for Completion (Appendix BR-4) and External Auditor's PIR review letter (Appendix BR-9) during the first quarter of 2015. All banks will start using the updated PIR for the first reporting period in 2015, i.e. for the period ending 31st March 2015.

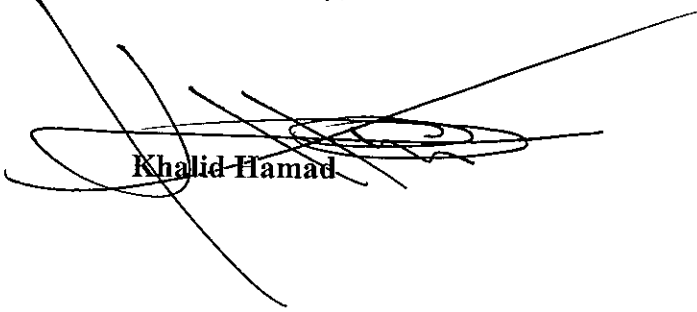
¹ Volume 1 can be accessed from www.cbb.gov.bh : from the Home page, select 'CBB Rulebooks' and then 'Volume 1'

Banks must ensure that all relevant staff are informed of the latest amendments and that where needed, appropriate action is taken to ensure full compliance. Banks which are not in full compliance must notify the CBB with immediate effect.

Further information

Should you have any queries regarding these updates, you may contact the CBB Rulebook team at rulebook@cbb.gov.bh, or else please speak to your normal supervisory contact.

Yours faithfully,



Khalid Hamad

Enc.

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Part A

Module Code	Summary of Changes and Printing Instructions
UG	Print off ToC.
LR	Print off ToC.
PB	Print off ToC.
HC	HC-5.4.2: Clarified application of remuneration rules for Bahrain operations. HC-5.4.5: Paragraph deleted. Print off ToC, Sections HC-A.2 and HC-5.4.
AU	Print off ToC.
GR	Print off ToC.
CA	Extensive changes to implement the new capital adequacy requirements.. Print off ToC and complete Module CA.
BC	Print off ToC.
CM	CM-A.2 and CM-5: Corrected to be aligned with updated requirements under Module CA. CM-5.3.2: Added reference to transactions subject to the regulation on close-out netting under a market contract. CM-5.5.1B: Corrected cross reference. Print off ToC, Sections CM-A.2, CM-A.3 and Chapter CM-5.
OM	Print off ToC.
FC	Print off ToC.
PCD	This Module has been deleted and integrated in Modules CA and BR and in new CA Appendices.
TC	Print off ToC.
BR	BR-2.1.3: Corrected wording of Rule (applies to retail branches of foreign banks). BR-4A.2.1: Clarified that Rule is applicable to all banks to be consistent with Section OM-6.2 (applies to all banks). BR-5.2.2: Corrected cross reference and terminology. BR-5.2.7 to BR-5.2.11: Rules and guidance transferred from Module PCD. BR-5.2.12: Corrected cross reference Print off ToC, Sections BR-A.3, BR-2.1, BR-4A.2 and BR-5.2.
PD	Print off ToC.

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Part A

Module Code	Summary of Changes and Printing Instructions
EN	Print off ToC.
CP	Print off ToC.

Part B

Module Code	Summary of Changes	
Glossary		
Added definition of affiliate, banking group, credit risk, financial entity, market risk, minority interest, operational risk, securities financing transactions, subsidiary and trigger event. Amended definition for control and price risk. Corrected cross reference for acquisition(s).		
Supplementary Information		
Appendix CA-1-9	Other Capital Rules	This has now been replaced by individual appendices
Appendix CA-1	Minority Interest Illustrative Example	New Appendix
Appendix CA-2	Treatment of Counterparty Credit Risk and Cross-product Netting	Amendments made to reflect updated Module CA
Appendix CA-3	The 15% of Common Equity Limit on Specified Items	Renumbered Appendix (was CA-1)
Appendix CA-4	Capital Treatment For Failed Trades and Non-DvP Transactions	No changes made
Appendix CA-5	Overview of methodologies for the capital treatment of transactions secured by financial collateral under the standardized approach	References to IRB approach deleted to be aligned with updated Module CA
Appendix CA-6	Illustrative IRB Risk Weights	Deleted appendix to be aligned with updated Module CA
Appendix CA-7	Supervisory Slotting Criteria for Specialised lending	No changes made
Appendix CA-8	Illustrative Examples: Calculating the effect of credit risk mitigation under the supervisory formula	No changes made
Appendix CA-9	Mapping of Business Lines	No changes made
Appendix CA-17	Calculation of risk weighted amount of an investment subject to fair value treatment	Deleted as no longer applicable
Appendix CA-21	Investments in Commercial Entities	New Appendix transferred from Module PCD
Appendix CA-22	Comprehensive Example of Deductions	New Appendix transferred from Module PCD
Appendix CA-23	Comprehensive Example of Deductions and T2 2% Cap	New Appendix transferred from Module PCD
Appendix CM-4	Regulation in respect of Close-Out Netting under a Market Contract	New regulation issued.