



EDBS/KH/C/4/2015  
29<sup>th</sup> January 2015

**Chief Executive Officer/General Manager**  
All Islamic Bank Licensees  
Manama  
Kingdom of Bahrain

Dear Sir,

**CBB Rulebook: Volume 2 – January 2015 Quarterly Update**

The latest quarterly update to Volume 2 has now been incorporated in the website version of the Rulebook.<sup>1</sup>

**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 that have been 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 now being deleted and integrating within the other parts of Volume 2.

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

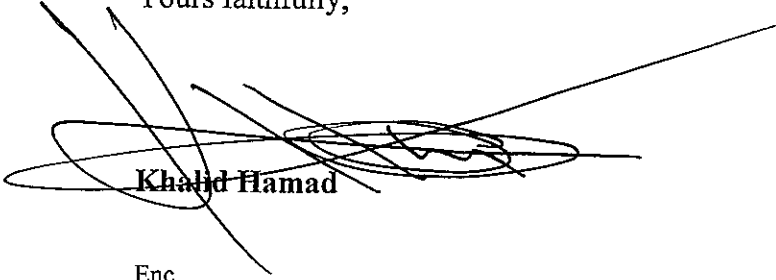
<sup>1</sup> Volume 2 can be accessed from [www.cbb.gov.bh](http://www.cbb.gov.bh) : from the Home page, select 'CBB Rulebooks' and then 'Volume 2'

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](mailto:rulebook@cbb.gov.bh), or else please speak to your normal supervisory contact.

Yours faithfully,

  
**Khalid Hamad**

Enc.

**CBB Rulebook: Volume 2 – January 2015 Quarterly Update**

**Part A**

<b>Module Code</b>	<b>Summary of Changes and Printing Instructions</b>
UG	<b>Print off ToC.</b>
LR	<b>Print off ToC.</b>
PB	<b>Print off ToC.</b>
HC	HC-5.4.2: Clarified application of remuneration rules for Bahrain operations. HC-5.4.5: Paragraph deleted. <b>Print off ToC, Sections HC-A.2 and HC-5.4.</b>
AU	<b>Print off ToC.</b>
GR	<b>Print off ToC.</b>
CA	Extensive changes to implement the new capital adequacy requirements. <b>Print off ToC and complete Module CA.</b>
BC	<b>Print off ToC.</b>
RM	<b>Print off ToC.</b>
CM	CM-A.2 and CM-4: Corrected to be aligned with updated requirements under Module CA. CM-4.4.2: Added reference to transactions subject to the regulation on close-out netting under a market contract. CM-4.4.1B: Corrected cross reference. <b>Print off ToC, Sections CM-A.2, CM-A.3 and Chapter CM-4.</b>
OM	<b>Print off ToC.</b>
LM	<b>Print off ToC.</b>
FC	<b>Print off ToC.</b>
PCD	This Module has been deleted and integrated in Modules CA and BR.
TC	<b>Print off ToC.</b>
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-5.2.9 to BR-5.2.18: Rules and guidance transferred from Module PCD. <b>Print off ToC, Sections BR-A.3, BR-2.1, BR-4A.2, and BR-5.2</b>
PD	<b>Print off ToC.</b>

## CBB Rulebook: Volume 2 – January 2015 Quarterly Update

### 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	
<b>Glossary</b>		
Added definition of affiliate, banking group, credit risk, financial entity, market risk, minority interest, operational risk, securitisation, subsidiary and trigger event. Amended definition for control and price risk. Corrected cross reference for acquisition(s).		
<b>Supplementary Information</b>		
Appendix CA-1	Minority Interest Illustrative Example	New Appendix
Appendix CA-2	Treatment of Counterparty Credit Risk and Cross-product Netting	New Appendix
Appendix CA-3	The 15% of Common Equity Limit on Specified Items	New Appendix
Appendix CA-4	Capital Treatment For Failed Trades and Non-DvP Transactions	Renumbered Appendix (was Appendix CA-5)
Appendix CA-5	Supervisory Slotting Criteria For Istisna in Project Finance and Musharakah in Business Venture	Renumbered Appendix (was Appendix CA-1)
Appendix CA-6	Supervisory Slotting Criteria for Diminishing Musharakah in Real Estate	Renumbered Appendix (was Appendix CA-2)
Appendix CA-7	Table for Mapping Notations of ECAIs	Renumbered Appendix (was Appendix CA-6)
Appendix CA-10	Investments in Commercial Entities	New Appendix transferred from Module PCD
Appendix CA-11	Comprehensive Example of Deductions	New Appendix transferred from Module PCD
Appendix CA-12	Comprehensive Example of Deductions of T2 2% Cap	New Appendix transferred from Module PCD
Appendix CA-13	Worked Example of Maturity Ladder Approach for Calculating Commodities Risk	Renumbered Appendix (was Appendix CA-3)
Appendix CA-14	Mapping of Business Lines	Renumbered Appendix (was Appendix CA-4)
Appendix CM-4	Regulation in respect of Close-Out Netting under a Market Contract	New regulation issued.