



# **AUTHORISATION MODULE**



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<b>CHAPTER</b>	<b>AU-A:</b>	<b>Introduction</b>

## **AU-A.1      Purpose**

### *Executive Summary*

AU-A.1.1 The Authorisation Module sets out the Central Bank of Bahrain's (CBB) approach to licensing providers of regulated insurance services in the Kingdom of Bahrain. It also sets out CBB requirements for approving persons undertaking key functions in those providers. Finally, it sets out requirements for registering certain support services (actuaries, loss adjusters and appointed representatives).

AU-A.1.2 Persons who provide any of the following regulated insurance services within or from the Kingdom of Bahrain require a license:

- (a) The carrying on of insurance business;
- (b) The broking of insurance contracts;
- (c) The offering of advice to third parties regarding individual insurance requirements and products;
- (d) The provision of insurance management services (such as captive managers); and
- (e) The operating of a recognised insurance exchange.

AU-A.1.3 The categories of regulated insurance services listed in AU-A.1.2 in turn determine the license category of the provider. The requirements in Volume 3 (Insurance) are tailored in certain respects, according to the license category concerned, in order to address the specific features and risks associated with each type of regulated insurance service.

AU-A.1.4 For the purposes of Volume 3 (Insurance), providers licensed to undertake activities falling under AU-A.1.2 (a) are categorised as 'insurance firms'; those under (b), as 'insurance brokers'; those under (c), as 'insurance consultants'; those under (d), as 'insurance managers'; and those under (e), as 'insurance exchange operators'. A provider of regulated insurance services can only hold one of the above license categories; different categories may not be combined.

AU-A.1.5 Collectively, licensed providers of regulated insurance services are called insurance licensees. Bahrain-incorporated insurance licensees are called Bahraini insurance licensees. Insurance licensees that are incorporated in an overseas jurisdiction and operate via a branch presence in the Kingdom of Bahrain are called overseas insurance licensees. The same naming convention applies to the various categories of license holders: for example, Bahraini insurance brokers are incorporated in Bahrain and overseas insurance brokers operate via a branch presence.



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## **AU-A.1      Purpose (continued)**

### ***Approved Persons***

AU-A.1.6 Persons undertaking certain functions in relation to CBB insurance licensees require prior CBB approval. These functions (called 'controlled functions') include Directors and members of senior management. The controlled functions regime supplements the licensing regime by ensuring that key persons involved in the running of insurance licensees are fit and proper. Those authorised by the CBB to undertake controlled functions are called approved persons.

### ***Registration***

AU-A.1.7 Persons wishing to carry on the business of an actuary, a loss adjuster or licensed principal wishing to appoint appointed representative within the Kingdom of Bahrain are required to register with the CBB. Registrants are subject to basic screening to verify their expertise and general suitability, at the point of application. Unlike insurance licensees, they are not subject to detailed requirements and continuous, risk-based supervision.

### ***Retaining Authorised Status***

#### **AU-A.1.8**

The requirements set out in Chapters AU-2, AU-3 and AU-4 represent the minimum conditions that have to be met in each case, both at the point of authorisation and on an on-going basis thereafter, in order for authorised status to be retained.

### ***Ancillary Services Providers***

AU-A.1.9 Ancillary services providers are not covered in Volume 3 (Insurance) of the Rulebook. Requirements covering these types of activities will instead be included in Volume 5.

#### **AU-A.1.10**

Until such time as Volume 5 (Specialised Activities) of the CBB Rulebook is issued, ancillary services providers remain subject to the requirements contained in the CBB's 'Standard Conditions and Licensing Criteria', a copy of which is available from the CBB Licensing Directorate.

#### AU-A.1.11

[This Paragraph was merged with Paragraph AU-A.1.9 above, in January 2007].

#### **AU-A.1.12**

[This Paragraph was merged with Paragraph AU-A.1.10 above, in January 2007]



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## **AU-A.1      Purpose (continued)**

### *Legal Basis*

#### **AU-A.1.13**

This Module contains the CBB's Regulations, Resolutions and Directive (as amended from time to time) regarding authorisation requirements applicable to insurance licensees, approved persons and registered persons and is issued under the powers available to the CBB under Articles 37 to 42, 44 to 48 and 180 of the Central Bank of Bahrain and Financial Institutions Law 2006 ('CBB Law'). Requirements regarding regulated insurance services as per Article 39 (see Chapter AU-1), licensing conditions and processes as per Articles 44 to 48 (see Chapters AU-2 and AU-5) and licensing and registrations fees as per Article 180 (see Chapter AU-6) are also included in Resolutions and included in this Module. Module AU includes the requirements contained in Resolution No (1) of 2007 with respect to determining fees categories due for licensees and services provided by the CBB. Module AU also contains the minimum qualifications and fit and proper requirements for appointed representatives issued in 2009 under Resolution 11 in accordance with Article 74 of the CBB Law. The Module contains requirements governing the conditions of granting a license for the provision of regulated services as prescribed under Resolution No (43) of 2011 and issued under the powers available to the CBB under Article 44(c). Finally, the Module contains requirements under Resolution No.(16) for the year 2012 including the prohibition of marketing financial services pursuant to Article 42 of the CBB Law. This Module contains the prior approval requirements for approved persons under Resolution No (23) of 2015.

#### AU-A.1.14

For an explanation of the CBB's rule-making powers and different regulatory instruments, see Section UG-1.1.



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## AU-A.2      Module History

AU-A.2.1      This Module was first issued in April 2005 by the BMA, together with the rest of Volume 3 (Insurance). Any material changes that have subsequently been made to this Module are annotated with the calendar quarter date in which the change was made. UG-3 provides further details on Rulebook maintenance and version control.

AU-A.2.2      When the CBB replaced the BMA in September 2006, the provisions of this Module remained in force. Volume 3 was updated in January 2007 to reflect the switch to the CBB; however, new calendar quarter dates were only issued where these involved changes in the substance of Rules.

AU-A.2.3      A list of recent changes made to this Module is provided below:

Module Ref.	Change Date	Description of Changes
AU-1.1	01/07/05	Corrections made to cross references.
AU-1.2	01/07/05	Correction to typo and clarification to AU-1.2.4.
AU-1.4	01/07/05	Clarified possible exclusion to regulated insurance services.
AU-5.1	01/07/05	Clarified AU-5.1.2 and amended AU-5.1.8 (e) to reflect that the cash deposit to be held with a commercial bank also applies to insurance brokers.
AU-5.2	01/07/05	Correction made to cross reference.
AU-5.3	01/07/05	Corrected reference to form 4 (Application for Registration).
AU-1.1	01/10/05	Clarified application of grandfathering provisions for composite companies.
AU-2.1	01/10/05	Clarified legal status for E.C. companies and added the option for insurance manager to operate as a branch resident in Bahrain of a company incorporated in another jurisdiction.
AU-2.2	01/10/05	Clarified guidance on mind and management for insurance licensees originally licensed as exempt companies.
AU-2.8	01/10/05	Clarified the application of IFRS and AAOIFI standards.
AU-2.1	01/01/06	Clarified legal status for EC companies that are insurance brokers and insurance consultants.
AU-2.1.6	01/04/06	Guidance Paragraph deleted in October 2005.
AU-1.2.2	01/01/07	Added Signing Actuary (where the Signing Actuary is an employee of the insurance firm) to the list of controlled functions for which an application for approved person must be submitted.
AU-A.1.13	01/2007	New Rule introduced, categorising this Module as a Directive.
AU-1.1.24	01/2007	Added Rule pertaining to suitability of applicants for authorisation.
AU-2.1.11	01/2007	Corrected legal status requirements for insurance consultants.
AU-2.6.1A	01/2007	Added a Rule dealing with the segregation of staff responsibilities.
AU-5.1.	01/2007	Section amended to reflect new procedures reflecting CBB Law.
AU-5.4	01/2007	Amended to reflect new CBB Law procedures.
AU-5.5	01/2007	Amended to reflect new CBB Law procedures.
AU-6	01/2007	New Chapter on Licensing and Registration Fees added.
AU-1.1.14	10/2007	Pure reinsurers can undertake both <u>general insurance business</u> and <u>long-term insurance business</u> within the same entity.
AU-1.2.3 and 1.2.4	10/2007	Clarified the controlled functions for which CBB prior approval is required.
AU-2.5.4	10/2007	Clarified that <u>insurance brokers</u> must also maintain a cash deposit as per Section GR-7.1.
AU-5.1.5 and 5.1.5A	01/2008	Clarified CBB's requirements for letters of comfort and/or letters of guarantee.
AU-5.1.13	01/2008	Clarified CBB's requirements for items that must be in place within 6 months of a new license being issued.



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## AU-A.2 Module History (continued)

<b>Module Ref.</b>	<b>Change Date</b>	<b>Description of Changes</b>
AU-5.2.2	04/2008	Clarified to whom Form 3 should be sent to if dealing with a request for an appointment of MlRO from an existing investment firm licensee.
AU-5.5.6	04/2008	Outlined CBB's requirements in instances where a controlled function becomes vacant.
AU-6.3	04/2008	Clarified the payment of annual fees for new insurance licensees and registered persons.
AU-5.2.5	07/2008	Clarified that the refusal decision by the CBB to grant a person 'approved person' status is issued to the insurance licensee.
AU-5.2.6	07/2008	Added cross reference.
AU-6.3	10/2008	Introduced a minimum licensing fee for new applicants whose annual licensing fees may be prorated.
AU-2.1.8	04/2009	Amended the legal status of insurance broker to no longer allow the establishment of new licensees as single person company.
AU-6.3.12 and 6.3.12A	04/2009	Clarified the rules regarding annual license fees to be paid by new licensees in relation to the first year in which the license has been granted.
AU-6.3.16	04/2009	Deleted Paragraph waiving annual fees for insurance licensees in run-off and whose license has been restricted to servicing existing business.
AU-A.1, AU-B.2, AU-1.3A, AU-4, AU-5.3, AU-5.5 and AU-6.3	10/2009	Added registration requirements for appointed representatives.
AU-A.1.13	10/2009	Reference to Regulations added to Paragraph under Legal Basis.
AU-2.1.8 and AU-2.1.11	10/2009	The legal status option for insurance brokers and insurance consultants to be established as a branch resident in Bahrain of a company incorporated in another jurisdiction has been deleted.
AU-1.4.16A	04/2010	Guidance provided on the definition of regulated services for insurance consultants.
AU-2.1.8	04/2010	Clarified the legal status for insurance brokers.
AU-4.1.2A	04/2010	Added guidance on relevant loss adjusters associations used in evaluating expertise condition.
AU-5.2.1	04/2010	Added requirement for licensees to verify accuracy of information contained in form 3 (Approved persons).
AU-5.2.2A and B	04/2010	Clarified requirements when submitting Form 3.
AU-5.2.7 and 5.2.8	04/2010	Clarified notification requirements when applying for Approved person status.
AU-A.1.13	01/2011	Clarified legal basis.
AU-5.1.5A	01/2001	Removed the reference to a letter of comfort that may be provided with an application for license.
AU-1.2.9A	04/2011	Clarified the position of Chairman and that of managing director. This Rule was moved from the former version of Module HC.
AU-1.2.11A	04/2011	Added a definition Paragraph for the compliance officer.
AU-A.1.10	10/2011	Guidance Paragraph amended as Volume 5_Representative Offices was issued in December 2010.
AU-A.1.13	10/2011	Legal basis updated to reflect all Articles of the CBB Law covered by this Module as well as applicable Resolutions.
AU-5.1.13	10/2011	Clarified CBB's requirements for items that must be in place within 6 months of a new license being issued to be in line with other Volumes of the Rulebook.
AU-5.5	10/2011	Clarified language on cancellation of a license to be in line with other Volumes of the CBB Rulebook.
AU-1.4.10	04/2012	Reference added to appointed representatives.
AU-2.1.8 and AU-2.1.9	10/2012	Clarified legal status for single person company and natural person.
AU-5.5.4A	10/2012	Corrected cross reference.



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## **AU-A.2      Module History (continued)**

<b>Module Ref.</b>	<b>Change Date</b>	<b>Description of Changes</b>
AU-A.1.13	01/2013	Updated legal basis.
AU-B.1.1	01/2013	Updated prohibition as per issuance of Resolution No.(16) for the year 2012.
AU-1.1	01/2013	References added to requirements under Resolution No.(16) for the year 2012.
AU-6.3	07/2013	Amended due date and collection process for annual license and registration fees.
AU-1.2	04/2014	Approved persons requirement updated to reflect consultation undertaken on the enhanced operational and solvency framework.
AU-1.4.13	10/2014	Amended the definition of exempt introducer.
AU-2.1.11	10/2014	Aligned with Commercial Companies Law.
AU-A.1.13	07/2015	Legal basis updated to reflect Resolution No (23) of 2015.
AU-5.2	07/2015	Amended to be in line with Resolution No (23) of 2015 on Prior Approval Requirements for Approved Persons.
AU-1.2	01/2016	Clarified general requirements for approved persons.
AU-3	01/2016	Amended to be in line with Resolution No (23) of 2015 on Prior Approval Requirements for Approved Persons.
AU-4.2.2	01/2016	Corrected cross reference.
AU-5.1.4	01/2016	Paragraph deleted as no longer applicable.
AU-5.2	01/2016	Minor amendments to be aligned with other Volumes of the Rulebook.
AU-5.6	07/2017	Added new Section on Publication of the Decision to Grant, Cancel or Amend a License.
AU-A.1.10	04/2018	Amended Paragraph.
AU-5.1.1	04/2018	Amended Paragraph.
AU-5.1.12E	04/2018	Amended sub-paragraph.
AU-5.2.2	04/2018	Amended Paragraph.
AU-5.3.1	04/2018	Amended Paragraph.
AU-5.1.1	07/2019	Amended Paragraph to remove references to hardcopy Form 1 submission to online submission.
AU-1.1.18A	10/2019	Added a new Paragraph on Insurance Aggregators.
AU-1.1.18B	10/2019	Added a new Paragraph on Insurance Aggregators.
AU-1.1.18C	10/2019	Added a new Paragraph on Insurance Aggregators.
AU-5.1.12I	10/2019	Changed from Rule to Guidance.
AU-5.1.12J	10/2019	Changed from Rule to Guidance.
AU-5.6.1	10/2019	Changed from Rule to Guidance.

AU-A.2.4      Guidance on the implementation and transition to Volume 3 (Insurance) is given in Module ES (Executive Summary).



<b>MODULE</b>	<b>AU:</b>	<b>Authorisation</b>
<b>CHAPTER</b>	<b>AU-B:</b>	<b>Scope of Application</b>

## **AU-B.1 The Public**

AU-B.1.1 The Authorisation requirements in Chapter AU-1 are generally applicable to the public, in that they prevent a person (whether legal or natural) from undertaking certain specified activities if they do not hold the appropriate authorisation from the CBB or marketing any financial services unless specifically allowed to do so by the CBB (see Rule AU-1.1.1). In addition, those applying for authorisation are also required to comply with the relevant requirements and procedures contained in this Module.

AU-B.1.2 Three types of authorisation are prescribed:

- (i) Any person who provides a regulated insurance service within or from the Kingdom of Bahrain requires a license (see AU-1.1);
- (ii) Natural persons wishing to perform a controlled function in an insurance licensee require prior CBB approval, as an approved person (see AU-1.2); and
- (iii) Any person wishing to provide actuarial or loss adjuster services within the Kingdom of Bahrain is required to register with the CBB (see AU-1.3).

AU-B.1.3 Because of the general applicability of many of the requirements contained in this Module, they are supported by way of a Regulation (see Section UG-1.1 for an explanation of the CBB's rule-making powers and different regulatory instruments).



<b>MODULE</b>	<b>AU:</b>	<b>Authorisation</b>
<b>CHAPTER</b>	<b>AU-B:</b>	<b>Scope of Application</b>

## **AU-B.2 Authorised Persons**

AU-B.2.1 Various requirements in Chapters AU-2 to AU-5 inclusive also apply to persons once they have been authorised by the CBB (whether as licensees, approved persons or registered actuaries, loss adjusters and appointed representatives).

AU-B.2.2 Chapter AU-2 applies to insurance licensees (not just applicants), since licensing conditions have to be met on a continuous basis by licensees. Similarly, Chapter AU-3 applies to approved persons on a continuous basis; it also applies to insurance licensees seeking an approved person authorisation. Chapter AU-4 applies to actuaries, loss adjusters and appointed representatives that are either registered by the CBB or are seeking to be registered by the CBB. Chapter AU-5 contains requirements applicable to licensees, with respect to the starting up of their operations, as well as to licensees, approved persons and registered actuaries, loss adjusters and appointed representatives, with respect to the amendment or cancellation of their authorised status. Finally, Section AU-6.2 imposes annual fees on licensees and registered actuaries, loss adjusters and licensed principals for their registered appointed representatives.



<b>MODULE</b>	<b>AU:</b>	<b>Authorisation</b>
<b>CHAPTER</b>	<b>AU-1:</b>	<b>Authorisation Requirements</b>

## **AU-1.1 Insurance Licensees**

### *General Prohibition*

#### **AU-1.1.1**

**No person may:**

- (a) Undertake (or hold themselves out to undertake) regulated insurance services, by way of business, within or from the Kingdom of Bahrain unless duly licensed by the CBB;
- (b) Hold themselves out to be licensed by the CBB unless they have as a matter of fact been so licensed; or
- (c) Market any financial services in the Kingdom of Bahrain unless:
  - (i) Allowed to do by the terms of a license issued by the CBB;
  - (ii) The activities come within the terms of an exemption granted by the CBB by way of a Directive; or
  - (iii) Has obtained the express written permission of the CBB to offer financial services.

#### AU-1.1.1A

For the purposes of Rule AU-1.1.1(a), please refer to Section AU-1.4 for the definition of 'regulated insurance services' and 'by way of business'. Such activities will be deemed to be undertaken within or from the Kingdom of Bahrain if, for example, the person concerned:

- (a) Is incorporated in the Kingdom of Bahrain;
- (b) Uses an address situated in the Kingdom of Bahrain for its correspondence; or
- (c) Directly solicits clients, who are resident within the Kingdom of Bahrain.

#### AU-1.1.2

For the purposes of AU-1.1.1(b), and in accordance with Article 41(b) of the CBB Law, persons would be considered in breach of this requirement if they were to trade as, or incorporate a company in Bahrain with a name containing the words '(re)insurance', '(re)assurance' or '(re)takaful', or the words 'broker', 'consultant', or 'manager' in combination with '(re)insurance', '(re)assurance' or '(re)takaful' (or the equivalents in any language), without holding the appropriate CBB license or the prior approval of the CBB.

#### AU-1.1.2A

In accordance with Resolution No.(16) for the year 2012 and for the purpose of Subparagraph AU-1.1.1(c), the word 'market' refers to any promotion, offering, announcement, advertising, broadcast or any other means of communication made for the purpose of inducing recipients to purchase or otherwise acquire financial services in return for monetary payment or some other form of valuable consideration.

#### AU-1.1.2B

Persons in breach of Subparagraph AU-1.1.1(c) are considered in breach of Resolution No.(16) for the year 2012 and are subject to penalties under Articles 129 and 161 of the CBB Law (see also Section EN-10.3A).



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<b>CHAPTER</b>	<b>AU-1:</b>	<b>Authorisation Requirements</b>

## **AU-1.1 Insurance Licensees (continued)**

### *Authorisation*

#### **AU-1.1.3**

Depending on the type of regulated insurance service that a person wishes to undertake, applicants must seek to be licensed either as an insurance firm, an insurance broker, an insurance consultant, an insurance manager or an insurance exchange operator. These license categories cannot be combined.

#### **AU-1.1.4**

Within the Kingdom of Bahrain and in respect of Bahrain residents, licensed insurance firms and insurance brokers may only effect contracts of insurance through intermediaries when these intermediaries are:

- (a) Licensed by the CBB (e.g., as an insurance broker);
- (b) Exempt introducers (as defined in Paragraph AU-1.4.13); or
- (c) Appointed representatives.

#### **AU-1.1.5**

Persons wishing to be licensed to undertake regulated insurance services within or from the Kingdom of Bahrain must apply in writing to the CBB.



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<b>CHAPTER</b>	<b>AU-1:</b>	<b>Authorisation Requirements</b>

## **AU-1.1 Insurance Licensees (continued)**

### **AU-1.1.6**

An application for a license must be in the form prescribed by the CBB and must contain, *inter alia*:

- (a) A business plan specifying the type of business to be conducted;
- (b) Application forms for all controllers;
- (c) Application forms for all controlled functions; and
- (d) For insurance brokers and insurance consultants, details of proposed professional indemnity coverage.

### AU-1.1.7

The CBB will review the application and duly advise the applicant in writing when it has:

- (a) Granted the application without conditions;
- (b) Granted the application subject to conditions specified by the CBB; or
- (c) Refused the application, stating the grounds on which the application has been refused and the process for appealing against that decision.

### AU-1.1.8

Detailed Rules and Guidance regarding information requirements and processes for licenses can be found in Section AU-5.1. As specified in Paragraph AU-5.1.12 and in accordance with Article 44(e) of the CBB Law, the CBB will provide a formal decision on a license application within 60 calendar days of all required documentation having been submitted in a form acceptable to the CBB.

### AU-1.1.8A

In granting new licenses, the CBB will specify the type of regulated insurance services for which a license has been granted, and include further conditions in relation to the license such as the class of business authorised, whether the insurance firm is operating on a conventional or takaful basis, limited to reinsurance or licensed as a captive insurer.

### AU-1.1.9

All applicants seeking an insurance license must satisfy the CBB that they meet, by the date of authorisation, the minimum criteria for licensing, as contained in Chapter AU-2. Once licensed, insurance licensees must maintain these criteria on an on-going basis.

### AU-1.1.10

An insurance licensee must not carry on any commercial business in the Kingdom of Bahrain or elsewhere other than insurance business and activities directly arising from or incidental to that business.

### AU-1.1.11

In instances where an insurance licensee carries on a commercial business, at the time where the Insurance Rulebook becomes effective, the insurance licensee must notify the CBB to establish the transitional rules in relation to this prohibited activity (refer to Paragraph ES-2.2.1).



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<b>CHAPTER</b>	<b>AU-1:</b>	<b>Authorisation Requirements</b>

## **AU-1.1 Insurance Licensees (continued)**

AU-1.1.12 Activities ‘directly arising from or incidental’ to an insurance firm’s business, for instance, will depend on the type of insurance provided by an insurer. By way of example, an insurance firm providing health insurance may show a connection with owning and managing hospitals, an insurer providing insurance that covers damage to motor vehicles may reasonably be able to own accident repairers or garages. Insurers should consult the CBB in relation to their own circumstances in determining if an activity directly arises from or is incidental to their insurance business.

### *Insurance Firms*

#### **AU-1.1.13**

For the purposes of Volume 3 (Insurance), insurance firms are defined as insurance licensees who undertake the regulated insurance service of carrying on insurance business, as defined in Paragraphs AU-1.4.7 to AU-1.4.9.

#### **AU-1.1.14**

An insurance firm must satisfy the CBB as to its suitability for each type and class of insurance business for which it is seeking authorisation. With the exception of captive insurers and pure reinsurers, an insurance firm cannot undertake both general and long-term insurance business. Insurance firms (including captive insurers), must operate on either conventional insurance principles or on takaful principles: they cannot combine the two.

#### AU-1.1.15

In granting new licenses, the CBB will specify the classes of insurance for which authorisation has been granted, and on what basis (i.e. conventional insurance principles or takaful principles). For reinsurance companies, the license will restrict the insurance firm to undertaking reinsurance business only. For captive insurers, the license will also restrict the insurance firm to effecting insurance contracts with its own group members only. Grandfathering provisions apply for those insurance firms whose past license granted them the right to undertake both general and long-term insurance business (composite companies). In addition, composite companies are subject to the requirements of Paragraph GR-1.1.3 with respect to separate books and records for each kind of business. The grandfathering exemption will only apply to the licensee’s classes of insurance business as at 1<sup>st</sup> April 2005, i.e. when Volume 3 (Insurance) was first issued. Should the insurance licensee wish to add additional classes of business, it will be required to separate its general and long-term business into separate licenses.

### *Insurance Brokers*

#### **AU-1.1.16**

For the purposes of Volume 3 (Insurance), insurance brokers are defined as insurance licensees who undertake the regulated insurance service of broking of insurance contracts, as defined in Paragraphs AU-1.4.10 to AU-1.4.15.



<b>MODULE</b>	<b>AU:</b>	<b>Authorisation</b>
<b>CHAPTER</b>	<b>AU-1:</b>	<b>Authorisation Requirements</b>

## **AU-1.1 Insurance Licensees (continued)**

### *Insurance Brokers (continued)*

**AU-1.1.17** [This Paragraph was merged with Paragraph AU-1.1.24 in January 2007.]

AU-1.1.18 An insurance broker may be licensed for one or more of the following types of business:

- (a) General insurance (as defined in Paragraph AU-1.4.9);
- (b) Unit-linked long-term insurance;
- (c) Long-term insurance (as defined in Paragraph AU-1.4.8) other than unit-linked business;
- (d) Reinsurance; and
- (e) Takaful products.

### *Insurance Consultants*

**AU-1.1.19** For the purposes of Volume 3 (Insurance), insurance consultants are defined as insurance licensees who undertake the regulated insurance service of offering insurance advice, as defined in Paragraphs AU-1.4.16 to AU-1.4.18.

### *Insurance Aggregator*

**AU-1.1.18A** For the purposes of Volume 3 (Insurance), insurance aggregators are defined as insurance intermediaries with an insurance broker's license who operate an online platform, whether hosted on an Internet website or available as a smart device application which provides price comparisons and facilitates the purchase of insurance on behalf of insurance companies.

**AU-1.1.18B** If any insurance aggregator wishes to provide additional regulated insurance broker services, such as handling of claims for its clients, it must seek the approval of the CBB.

AU-1.1.18C An insurance aggregator license is allowed to provide insurance aggregation and other brokerage services with the CBB's approval only through the online platform. The aggregator may not undertake the activities of a traditional broker.



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<b>CHAPTER</b>	<b>AU-1:</b>	<b>Authorisation Requirements</b>

## **AU-1.1      Insurance Licensees (continued)**

### **AU-1.1.20**

[This Paragraph was merged with Paragraph AU-1.1.24 in January 2007.]

#### AU-1.1.21

An insurance consultant may be licensed for one or more of the following types of business:

- (a) General insurance (as defined in Paragraph AU-1.4.9);
- (b) Unit-linked long-term insurance;
- (c) Long-term insurance (as defined in Paragraph AU-1.4.8) other than unit-linked business;
- (d) Reinsurance; and
- (e) Takaful products.

#### *Insurance Managers*

### **AU-1.1.22**

For the purpose of Volume 3 (Insurance), insurance managers are defined as insurance licensees who undertake the regulated insurance service of providing insurance management services, as defined in Paragraphs AU-1.4.20 to AU-1.4.23.

#### *Insurance Exchange Operators*

### **AU-1.1.23**

For the purpose of Volume 3 (Insurance), insurance exchange operators are defined as insurance licensees who undertake the regulated insurance service of operating an insurance exchange, as defined in Paragraphs AU-1.4.24 and AU-1.4.25.

#### *Suitability*

### **AU-1.1.24**

Those seeking authorisation must satisfy the CBB as to their suitability to carry out the regulated investment services for which they are seeking authorisation.

#### AU-1.1.25

In assessing applications for a license, the CBB will assess whether an applicant satisfies the licensing conditions (as specified in Chapter AU-2) with respect to all the regulated investment services that the applicant proposes undertaking.



<b>MODULE</b>	<b>AU:</b>	<b>Authorisation</b>
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## **AU-1.2      Approved Persons**

### *General Requirement*

**AU-1.2.1**

Insurance licensees must obtain the CBB's prior written approval for any person wishing to undertake a controlled function in an insurance licensee. The approval from the CBB must be obtained prior to their appointment, subject to the variations contained in Paragraph AU-1.2.3.

**AU-1.2.2**

Controlled functions are those functions occupied by board members and persons in executive positions and include:

- (a) Director (for Bahraini insurance licensee only);
- (b) Chief Executive or General Manager;
- (c) Head of function;
- (d) Head of risk management;
- (e) Compliance officer;
- (f) Money Laundering Reporting Officer;
- (g) Member of Shari'a Supervisory Board (where applicable);
- (h) Internal Shari'a reviewer (where applicable);
- (i) Unit-linked investment adviser (where applicable); and
- (j) Signing Actuary (where the function is undertaken by a Director or an employee of the insurance firm).

**AU-1.2.3**

Controlled functions may be combined with any other functions, subject to the CBB's prior written approval and such combination must not result in any possible conflict of interest.

**AU-1.2.4**

[This Paragraph was deleted in April 2014.]

**AU-1.2.5**

[This Paragraph was deleted in April 2014.]



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<b>CHAPTER</b>	<b>AU-1:</b>	<b>Authorisation Requirements</b>

## **AU-1.2 Approved Persons (continued)**

### *Basis for Approval*

AU-1.2.6 Approval under Paragraph AU-1.2.1 is only granted by the CBB, if it is satisfied that the person is fit and proper to hold the particular position in the licensee concerned. 'Fit and proper' is determined by the CBB on a case-by-case basis. The definition of 'fit and proper' and associated guidance is provided in Sections AU-3.1 and AU-3.2 respectively.

### *Definitions*

#### **AU-1.2.7**

**Director** is any person who occupies the position of a **Director**, as defined in Article 173 of the Commercial Companies Law (Legislative Decree No. 21 of 2001).

#### AU-1.2.8

The fact that a person may have '**Director**' in their job title does not of itself make them a **Director** within the meaning of the definition noted in Paragraph AU-1.2.7. For example, a 'Director of Marketing', is not necessarily a member of the Board of **Directors** and therefore may not fall under the definition of Paragraph AU-1.2.7.

#### **AU-1.2.9**

The **Chief Executive** or **General Manager** means a person who is responsible for the conduct of the licensee (regardless of actual title). The **Chief Executive** or **General Manager** must be resident in Bahrain. This person is responsible, alone or jointly, for the conduct of the whole of the firm, or, in the case of an **overseas insurance licensee**, for all of the activities of the branch.

#### **AU-1.2.9A**

The Chairman of the Board may not act as the **Chief Executive** or **General Manager**. However, in the case of appointing a **Director** on the Board as the **Managing Director** of the **insurance licensee**, such person:

- (a) Should be fully responsible for the executive management and performance of the **insurance licensee**, within the framework of delegated authorities set by the Board;
- (b) Must devote full-time working hours to the **insurance licensee**; and
- (c) Must not be employed at any other firm.



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## **AU-1.2 Approved Persons (continued)**

**AU-1.2.10** **Head of function** means a person who exercises major managerial responsibilities, is responsible for a significant business or operating unit, or has senior managerial responsibility for maintaining accounts or other records of the licensee.

**AU-1.2.10A** The head of risk management is responsible for the management of all risk exposures arising from the activities of the insurance firm.

**AU-1.2.11** Whether a person is a head of function will depend on the facts in each case and is not determined by the presence or absence of the word in their job title. Examples of head of function might include, depending on the scale, nature and complexity of the business, a deputy Chief Executive; heads of departments such as Underwriting, Claims, Risk Management, Compliance or Internal Audit; the Chief Financial Officer; or a Signing Actuary (where that person is a Director or employee of the insurance firm concerned).

**AU-1.2.11A** All insurance licensees must designate an employee, of appropriate standing and resident in Bahrain, as Compliance Officer. The duties of the Compliance Officer include:

- (a) Having responsibility for oversight of the licensee's compliance with the requirements of the CBB; and
- (b) Reporting to the licensee's Board in respect of that responsibility.

**AU-1.2.11B** The internal Shari'a reviewer in a Takaful firm is responsible for the examination and evaluation of the adequacy and effectiveness of the Takaful firm's system of internal Shari'a control. The internal Shari'a review function must comply with AAOIFI Governance standard for Islamic Financial Institutions No. 3.

**AU-1.2.12** Where a firm is in doubt as to whether a function should be considered a controlled function it must discuss the case with the CBB.

**AU-1.2.13** A unit-linked investment adviser refers to the function of advising clients on contracts that are, by their nature, investment products, including, but not limited to pension and retirement products. The unit-linked investment adviser function is a controlled function.



<b>MODULE</b>	<b>AU:</b>	<b>Authorisation</b>
<b>CHAPTER</b>	<b>AU-1:</b>	<b>Authorisation Requirements</b>

## **AU-1.3      Registered Actuaries and Loss Adjusters**

### **AU-1.3.1**

In accordance with Article 74 of the CBB Law, a person may not carry on the business of an actuary or a loss adjuster, without being registered as such with the CBB.

### **AU-1.3.2**

For the purposes of Paragraph AU-1.3.1 and in accordance with Article 1 of the CBB Law, actuaries are defined as persons who hold themselves out as able to give a professional opinion on the level of reserves that should be held in order to meet potential insurance liabilities and are accredited by an international recognised organisation.

### **AU-1.3.3**

For the purposes of Paragraph AU-1.3.1, loss adjusters are defined as persons who hold themselves out as being able to determine the extent of a firm's liability for loss when a claim is submitted. In doing so, loss adjusters may investigate and settle losses for an insurance firm by surveying or assessing the extent of damages being claimed for under an insurance contract, investigate the causes of such damage, and the extent to which those damages are covered by the contract of insurance.



<b>MODULE</b>	<b>AU:</b>	<b>Authorisation</b>
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## **AU-1.3A      Registered Appointed Representatives**

### **AU-1.3A.1**

In accordance with Resolution 11 issued under Article 74 of the CBB Law, a person may not be appointed by a licensed principal as an appointed representative, without being registered as such with the CBB.

### **AU-1.3A.2**

For the purposes of Paragraph AU-1.3A.1, an appointed representative is defined as an agent, who is not licensed by the CBB as insurance firm, insurance broker or insurance consultant, appointed by an insurance firm (licensed principal) as its representative according to the rules in Chapter GR-9.



<b>MODULE</b>	<b>AU:</b>	<b>Authorisation</b>
<b>CHAPTER</b>	<b>AU-1:</b>	<b>Authorisation Requirements</b>

## **AU-1.4      Definition of Regulated Insurance Services**

### **AU-1.4.1**

For the purposes of Volume 3 (Insurance) and in accordance with Article 39 of the CBB Law, regulated insurance services are any of the activities specified in Section AU-1.4, carried on by way of business. However, upon application, the CBB may exclude one or more specific transactions from the definition of regulated insurance services.

### AU-1.4.2

The CBB will normally only consider granting such an exemption when a Bahrain resident is unable to obtain a specific product in Bahrain and it would be unreasonable to require the overseas provider of that product to be licensed for that particular transaction.

### **AU-1.4.3**

For the purposes of Volume 3 (Insurance), carrying on a regulated insurance service by way of business means:

- (a) Undertaking one or more of the activities specified in Section AU-1.4 for commercial gain;
- (b) Holding oneself out as willing and able to engage in that activity; or
- (c) Regularly soliciting other persons to engage in transactions constituting that activity.

#### *General Exclusions*

### **AU-1.4.4**

With the exception of insurance firms licensed to carry on insurance business as a captive insurer, a person does not carry on an activity constituting a regulated insurance service if the person is a body corporate and carries on that activity solely with or for other bodies corporate, and they are all members of the same group.

### **AU-1.4.5**

A person does not carry on an activity constituting a regulated insurance service if the activity:

- (a) Is carried on in the course of a business which does not ordinarily constitute of the carrying on of financial services;
- (b) May reasonably be regarded as a necessary part of any other services provided in the course of that business; and
- (c) Is not remunerated separately from the other services.

### **AU-1.4.6**

A person does not carry on an activity constituting a regulated insurance service if he carries on an activity with or for another person, and they are both members of the same family.



<b>MODULE</b>	<b>AU:</b>	<b>Authorisation</b>
<b>CHAPTER</b>	<b>AU-1:</b>	<b>Authorisation Requirements</b>

## **AU-1.4      Definition of Regulated Insurance Services (continued)**

### *Carrying on of Insurance Business (Insurance Firms)*

**AU-1.4.7**

The carrying on of insurance business includes the carrying out and effecting of insurance contracts as principal, including with limitation contracts of long-term insurance or contracts of general insurance. Effecting contracts of insurance means assuming (as principal) insurance risk, by entering into a contract of insurance or contract of reinsurance. Carrying out contracts of insurance means performing (as principal) obligations under a contract of insurance or reinsurance.

**AU-1.4.8**

A contract of long-term insurance includes any insurance contract dealing with life insurance, personal accident with a term over 1 year and savings and fund accumulation insurance.

**AU-1.4.9**

A contract of general insurance includes any insurance contract dealing within one or more of the following categories:

- (a) Fire and other property damage;
- (b) Marine, aviation and transport;
- (c) Accident and liability insurance;
- (d) Motor insurance; or
- (e) Such other activities as the CBB may specify from time to time.

### *The Broking of Insurance Contracts (Insurance Brokers/Appointed Representatives)*

**AU-1.4.10**

The broking of insurance contracts means:

- (a) Acting as agent for another person in relation to the buying of insurance for that other person;
- (b) Making arrangements with a view to another person, whether as principal or agent, buying insurance; or
- (c) Advising on insurance.

**AU-1.4.11**

In Subparagraph AU-1.4.10 (c), 'advising' means giving advice to a person in his capacity as a policyholder or potential policyholder (or in his capacity as agent for a policyholder or potential policyholder), on the merits of entering into a contract of insurance whether as principal or agent.



<b>MODULE</b>	<b>AU:</b>	<b>Authorisation</b>
<b>CHAPTER</b>	<b>AU-2:</b>	<b>Authorisation Requirements</b>

## **AU-1.4      Definition of Regulated Insurance Services (continued)**

### *The Broking of Insurance Contracts (continued)*

**AU-1.4.12** A person does not carry on the activities specified in Subparagraphs AU-1.4.10 (a) or (b) if he enters or is to enter into a transaction in respect of a contract of insurance as principal.

**AU-1.4.13** A person does not carry on the broking of insurance contracts if he falls under the definition of exempt introducer, defined as:

- (a) A person selling an extended warranty insurance product where the product is sold as part of an exclusive arrangement originated by the product manufacturer and in conjunction with the purchase by the insured of the product;
- (b) A person selling travel insurance as part of, or in conjunction with, a travel package, either directly or through a travel agent (where no advice is being provided other than that contained in the product literature);
- (c) A person, approved or licensed as an insurance intermediary in its country of incorporation or residence, providing marine, aviation or transit insurance, general reinsurance or long-term reinsurance to clients in Bahrain;
- (d) [This Subparagraph was deleted in October 2014]; and
- (e) An insurer or reinsurance broker located outside Bahrain ('A') placing business on behalf of a CBB licensed insurance broker ('B'), where B is carrying on business in Bahrain and on behalf of Bahrain residents and A is acting on behalf of B.

**AU-1.4.14** A person does not give advice in relation to an insurance contract by giving advice in any newspaper, journal, magazine, broadcast services or similar service in any medium if the principal purpose of the publication or service, taken as a whole, is neither:

- (a) That of giving advice of the kind mentioned in Paragraph AU-1.4.13; nor
- (b) That of leading or enabling persons to buy insurance contracts.

**AU-1.4.15** A person does not arrange insurance contracts merely by providing the means by which one party to a transaction is able to communicate with other such parties.



<b>MODULE</b>	<b>AU:</b>	<b>Authorisation</b>
<b>CHAPTER</b>	<b>AU-1:</b>	<b>Authorisation Requirements</b>

## **AU-1.4      Definition of Regulated Insurance Services (continued)**

### *The Offering of Insurance Advice (Insurance Consultants)*

#### **AU-1.4.16**

The offering of insurance advice means advising on insurance to third parties, without also acting as agent or making arrangements with a view to another person buying insurance.

#### AU-1.4.16A

For purposes of Paragraph AU-1.4.16, should the insurance consultant receive a fee for his services as agent from the party that provides the insurance or reinsurance to the third party, such services will be considered as broking of insurance and will be covered under Paragraph AU-1.4.10.

#### **AU-1.4.17**

In Paragraph AU-1.4.16, ‘advising on insurance’ means giving advice to a person in his capacity as a policyholder or potential policyholder (or in his capacity as agent for a policyholder or potential policyholder), on the merits of entering into a contract of insurance whether as principal or agent.

#### **AU-1.4.18**

A person does not give advice in relation to an insurance contract by giving advice in any newspaper, journal, magazine, broadcast services or similar service in any medium if the principal purpose of the publication or service, taken as a whole, is neither:

- (a) That of giving advice of the kind mentioned in Paragraph AU-1.4.16; nor
- (b) That of leading or enabling persons to buy insurance.

#### AU-1.4.19

Advice given by professionals may not constitute the activity of advising on insurance, even if the matter relates to insurance, providing it satisfies the general exclusion specified in Paragraph AU-1.4.5. These may include circumstances such as lawyers providing legal advice on the interpretation of insurance contracts; business consultancy advice on the establishment of a new business, which may include, in general terms, discussion of the classes of insurance that the business may need; and the interpretation of insurance contracts by loss adjusters.

### *The Provision of Insurance Management Services (Insurance Managers)*

#### **AU-1.4.20**

The provision of insurance management services means the provision of management services to, or the exercising of managerial functions on behalf of, an insurance firm.

#### **AU-1.4.21**

Management services and managerial functions include the administration and underwriting of insurance contracts.



<b>MODULE</b>	<b>AU:</b>	<b>Authorisation</b>
<b>CHAPTER</b>	<b>AU-1:</b>	<b>Authorisation Requirements</b>

## **AU-1.4      Definition of Regulated Insurance Services (continued)**

**AU-1.4.22**

A person does not provide insurance management services to an insurance firm, if he is an employee or a Board member of that licensee.

AU-1.4.23

An insurance manager may provide management services to undertakings other than insurance firms, providing that these activities do not compromise the manager's ability to provide a professional service to insurance firms and the manager can meet the licensing conditions specified in Chapter AU-2. It is possible for a group to include separate licensees, one an insurance broker and the other an insurance manager.

### *The Operating of an Insurance Exchange*

**AU-1.4.24**

The operating of an insurance exchange means the maintenance, administration and management of an insurance exchange located within the Kingdom of Bahrain by, inter alia, determining its membership, operating rules or arranging the provision of shared services to users of the exchange.

**AU-1.4.25**

For the purposes of Paragraph AU-1.4.24, an insurance exchange means a distinct market place comprising as members insurance firms or insurance brokers, and undertaking insurance related activities. The fact that the exchange may undertake other non-insurance related activities does not preclude it from being an 'insurance exchange' within the meaning of Paragraph AU-1.4.24.



<b>MODULE</b>	<b>AU:</b>	<b>Authorisation</b>
<b>CHAPTER</b>	<b>AU-2:</b>	<b>Licensing Conditions</b>

## **AU-2.1 Condition 1: Legal Status**

### *Insurance Firm*

**AU-2.1.1** Except for captive insurers, the legal status of an insurance firm must be:

- (i) A Bahraini joint stock company (BSC);
- (ii) A branch resident in Bahrain of a company incorporated under the laws of its territory of incorporation and (where local regulation so requires) authorised as an insurance or reinsurance firm in that territory; or
- (iii) A Bahraini exempt company (E.C.) which was incorporated and licensed to conduct insurance business prior to 1<sup>st</sup> January 2005.

**AU-2.1.2** For captive insurers, the legal status of an insurance firm must be:

- (i) A Bahraini special purpose vehicle (SPV), specifically established to carry out the activities of a captive insurer; or
- (ii) Any of the legal structures noted in Paragraph AU-2.1.1.

AU-2.1.3 A Bahraini SPV is a category of a closed Bahraini joint stock company (BSC(c)). The minimum capital required by the Ministry of Commerce and Industry to incorporate such a company is much lower than for other types of companies, at BD 1,000. In addition, however, captive insurers must satisfy the CBB's capital requirements for captives, as set out in Module CA (Capital Adequacy).

AU-2.1.4 Where the insurance licensee is a branch of an overseas insurance company, in deciding whether to grant a license, the CBB will pay close regard to its activities elsewhere and how these activities are regulated. If the insurance licensee is not regulated elsewhere (e.g. some countries do not regulate reinsurance firms) or in a jurisdiction not substantially compliant with IAIS Core Principles or FATF standards, then an application for licensing can only be considered after exhaustive enquiries into the firm's shareholders, management structure and financial position.

AU-2.1.5 [Guidance Paragraph deleted in January 2007.]

AU-2.1.6 [Guidance Paragraph deleted in October 2005.]



<b>MODULE</b>	<b>AU:</b>	<b>Authorisation</b>
<b>CHAPTER</b>	<b>AU-2:</b>	<b>Licensing Conditions</b>

## **AU-2.1 Condition 1: Legal Status (continued)**

### *Insurance Broker*

**AU-2.1.7** Licensees who were carrying out activities that fall within the definition of the regulated activity of insurance broker prior to 1 April 2005 may be unincorporated entities or natural persons and were allowed to continue as such until 31 December 2006.

**AU-2.1.8** The legal status of an insurance broker after 1 April 2009 must be:

- (i) A Bahraini joint stock company (BSC);
- (ii) A Bahraini company with limited liability ('WLL');
- (iii) A branch resident in Bahrain of a company incorporated under the laws of its territory of incorporation and (where local regulation so requires) authorised as an insurance or reinsurance intermediary in that territory, and licensed to conduct insurance business in Bahrain prior to 1<sup>st</sup> April 2009;
- (iv) A Bahraini exempt company (E.C.) which was incorporated and licensed to conduct insurance business prior to 1<sup>st</sup> January 2005;
- (v) A Bahraini single person company which was incorporated and licensed to conduct insurance business prior to 1<sup>st</sup> April 2009; or
- (vi) A natural person that has been licensed by the CBB to conduct insurance business prior to April 2005.

**AU-2.1.9** Licensees referred to in Subparagraphs AU-2.1.8 (v) and (vi) will be granted a six-month period from the date of the death of the natural person to convert the license to comply with Subparagraph AU-2.1.8 (i) or (ii), subject to the CBB's prior written approval.

**AU-2.1.10** An insurance broker's business activity must be restricted by its Memorandum and Articles of Association to insurance broking.

### *Insurance Consultant*

**AU-2.1.11** Persons carrying out the regulated activity of insurance consultant, and who meet the licensing criteria of this Section, must be:

- (i) [This Subparagraph was deleted in October 2014];
- (ii) A Bahraini single person company;
- (iii) A Bahraini joint stock company (BSC);
- (iv) A Bahraini company with limited liability ('WLL'); or
- (v) A Bahraini exempt company (E.C.) which was incorporated and licensed to conduct insurance business prior to 1<sup>st</sup> January 2005.



<b>MODULE</b>	<b>AU:</b>	<b>Authorisation</b>
<b>CHAPTER</b>	<b>AU-2:</b>	<b>Licensing Conditions</b>

## **AU-2.1 Condition 1: Legal Status (continued)**

### *Insurance Manager*

#### **AU-2.1.12**

Persons carrying out the regulated activity of insurance manager, and who meet the licensing criteria of this Section must be:

- (i) A Bahraini joint stock company (BSC);
- (ii) A Bahraini company with limited liability ('WLL'); or
- (iii) A branch resident in Bahrain of a company incorporated under the laws of its territory of incorporation and (where local regulation so requires) authorised as an insurance or reinsurance intermediary in that territory.

#### AU-2.1.13

An insurance manager is a professional provider of services to insurance firms, which may include company secretarial, bookkeeping, claims processing and underwriting and, where duly licensed, insurance consulting and actuarial services. The CBB would, in principle, regard it as acceptable for the insurance manager to provide these services to other clients, whether or not insurance clients. It would not regard it as acceptable for the firm to combine these activities with that of insurance broker, although it is possible for a group to include both insurance broker and insurance manager activities, for instance, by an insurance broker establishing a subsidiary to act as an insurance manager (or vice versa).



<b>MODULE</b>	<b>AU:</b>	<b>Authorisation</b>
<b>CHAPTER</b>	<b>AU-2:</b>	<b>Licensing Conditions</b>

## **AU-2.2 Condition 2: Mind and Management**

### **AU-2.2.1**

Insurance licensees with their Registered Office in the Kingdom of Bahrain must maintain their Head Office in the Kingdom. Overseas insurance licensees must maintain a local management presence and premises in the Kingdom appropriate to the nature and scale of their activities.

### AU-2.2.2

In assessing the location of an insurance licensee's Head Office, the CBB will take into account the residency of its Directors and senior management. The CBB requires the majority of key decision makers in executive management – including the Chief Executive Officer – to be resident in Bahrain. In the case of overseas licensees, the CBB requires the branch or subsidiary of a foreign owned company to have a substantive presence, demonstrated by a level of staff and other resources sufficient to ensure adequate local scrutiny and control over business booked in the Bahrain branch or subsidiary.

### AU-2.2.3

In the case of insurance licensees originally licensed as exempt companies, the CBB will consider the granting of temporary individual waivers on a case-by-case basis from the requirements in Paragraph AU-2.2.1. In all cases, the CBB's objective is to require all such companies that wish to remain licensed by the CBB, to have a suitable office in the Kingdom of Bahrain. This requirement means that knowledgeable staff should be resident in Bahrain.

### **AU-2.2.4**

Subject to CBB approval, an insurance licensee that is a captive (re)insurance company may maintain its Head Office or place of business at the offices of an insurance manager appointed to manage its affairs.

### AU-2.2.5

The CBB's overall approach to captive insurers is summarized in Module CI. The day-to-day operations of captive insurers are typically outsourced to specialist captive managers, and Paragraph AU-2.2.4 allows for this possibility. The CBB requires captive managers providing services to CBB-licensed captive insurers to be also licensed by the CBB and thus also to have a substantive presence within the Kingdom.



<b>MODULE</b>	<b>AU:</b>	<b>Authorisation</b>
<b>CHAPTER</b>	<b>AU-2:</b>	<b>Licensing Conditions</b>

## **AU-2.3 Condition 3: Controllers and Close Links**

### **AU-2.3.1**

Insurance licensees must satisfy the CBB that their controllers are suitable and pose no undue risks to the licensee. Insurance licensees must also satisfy the CBB that their close links do not prevent the effective supervision of the insurance licensee by the CBB and otherwise pose no undue risks to the licensee.

AU-2.3.2 Chapters GR-5 and GR-6 contains the CBB's requirements and definitions regarding controllers and close links.

AU-2.3.3 In summary, controllers are persons who directly or indirectly are significant shareholders in an insurance licensee, or who are otherwise able to exert significant influence on the insurance licensee. The CBB seeks to ensure that controllers pose no significant risks to the licensee. In general terms, controllers are assessed in terms of their financial standing, their judicial and regulatory record, and standards of business and (where relevant) personal probity.

AU-2.3.4 In summary, an insurance licensee has close links with its subsidiaries, with its parent undertakings, and with subsidiaries of its parent undertakings. It also has close links with any entity in which the licensee, its subsidiaries, its parent undertakings, and the subsidiaries of its parent undertakings has an equity interest of more than 20% (either in terms of capital or voting rights). The CBB seeks to ensure that these closely linked entities do not pose any material financial, reputational or other risks to the licensee. The CBB also seeks to ensure that the structure and geographical spread of the group is such that it is subject to adequate scrutiny at group level.

AU-2.3.5 In all cases, when judging applications from existing groups, the CBB will have regard to the reputation and financial standing of the group as a whole. Where relevant, the CBB will also take into account the extent and quality of supervision applied to overseas members of the group and take into account any information provided by other supervisors in relation to any member of the group.



<b>MODULE</b>	<b>AU:</b>	<b>Authorisation</b>
<b>CHAPTER</b>	<b>AU-2:</b>	<b>Licensing Conditions</b>

## **AU-2.4 Condition 4: Board and Employees**

**AU-2.4.1**

In accordance with Article 65 of the CBB Law, those nominated to carry out controlled functions must satisfy the CBB's approved persons requirements.

AU-2.4.2

The definition of controlled functions is contained in Section AU-1.2, whilst Chapter AU-3 sets out the CBB's approved persons requirements.

**AU-2.4.3**

The insurance licensee's staff, taken together, must collectively provide a sufficient range of skills and experience to manage the affairs of the licensee in a sound and prudent manner. Insurance licensees must ensure their employees meet any training and competency requirements specified by the CBB.



<b>MODULE</b>	<b>AU:</b>	<b>Authorisation</b>
<b>CHAPTER</b>	<b>AU-2:</b>	<b>Licensing Conditions</b>

## **AU-2.5 Condition 5: Financial Resources**

**AU-2.5.1**

Insurance licensees must maintain a level of financial resources, as agreed with the CBB, adequate for the level of business proposed. The level of financial resources held must at all times meet the minimum requirements contained in Module CA (Capital Adequacy), as specified for the category of insurance license held.

**AU-2.5.2**

A 3-year business plan, with financial projections, must be submitted with any application for a license, demonstrating the adequacy of financial resources over that period, together with details (where appropriate) as to the calculation of rates, technical reserves, use of reinsurance, investment and valuation policies.

**AU-2.5.3**

Overseas insurance applicants are required to provide written confirmation from their head office that the head office will provide financial support to the branch sufficient to enable it to meet its obligations as and when they fall due. Overseas insurance applicants must also demonstrate that the company as a whole is adequately resourced for the amount of risks underwritten, and that it and its group meet solvency standards applied by its home supervisor.

**AU-2.5.4**

Insurance firms and insurance brokers must maintain a cash deposit with a retail bank licensed to operate in the Kingdom of Bahrain, in keeping with the requirement specified in Section GR-7.1.

**AU-2.5.5**

Insurance brokers and insurance consultants must maintain professional indemnity coverage as specified in Chapter GR-10.



<b>MODULE</b>	<b>AU:</b>	<b>Authorisation</b>
<b>CHAPTER</b>	<b>AU-2:</b>	<b>Licensing Conditions</b>

## **AU-2.6 Condition 6: Systems and Controls**

### **AU-2.6.1**

Insurance licensees must maintain systems and controls that are, in the opinion of the CBB, adequate for the scale and complexity of their activities. These systems and controls must meet the minimum requirements contained in Modules HC (High-level Controls) and RM (Risk Management), as specified for the category of insurance license held.

### **AU-2.6.1A**

Insurance licensees must maintain adequate segregation of responsibilities in their staffing arrangements, to protect against the misuse of systems and errors. Such segregation should ensure that no single individual has control over all stages of a transaction.

### **AU-2.6.2**

Insurance licensees must maintain systems and controls that are, in the opinion of the CBB, adequate to address the risks of financial crime occurring in the licensee. These systems and controls must meet the minimum requirements contained in Module FC, as specified for the category of insurance license held.

### **AU-2.6.3**

Applicants will be required to demonstrate in their business plan (together with any supporting documentation) what risks their business would be subject to and how they would manage those risks. Applicants may be asked to provide an independent assessment of the appropriateness of their systems and controls to the CBB, as part of the licensing approval process.

### **AU-2.6.4**

Insurance brokers must, in connection with any premium monies received in the course of their business, establish and maintain separate client accounts separate to those for their own funds as required per Section GR-1.2.



<b>MODULE</b>	<b>AU:</b>	<b>Authorisation</b>
<b>CHAPTER</b>	<b>AU-2:</b>	<b>Licensing Conditions</b>

## **AU-2.7 Condition 7: External Auditors and Actuaries**

### **AU-2.7.1**

Article 61 of the CBB Law requires that insurance licensees appoint external auditors, subject to prior CBB approval. The minimum requirements regarding auditors contained in Module AA (Auditors and Actuaries) must be met.

### **AU-2.7.2**

Article 72 of the CBB Law requires that insurance firms authorised to undertake long-term business appoint an actuary, subject to prior CBB approval. The minimum requirements contained in Module AA (Auditors and Actuaries) regarding actuaries must be met at all times.

### **AU-2.7.3**

Applicants must submit details of their proposed external auditors and, where relevant, actuary, to the CBB as part of their license application.



<b>MODULE</b>	<b>AU:</b>	<b>Authorisation</b>
<b>CHAPTER</b>	<b>AU-2:</b>	<b>Licensing Conditions</b>

## **AU-2.8 Condition 8: Other Requirements**

### *Books and Records*

**AU-2.8.1**

Article 59 of the CBB Law requires that insurance licensees maintain comprehensive books of accounts and other records, which must be available for inspection within the Kingdom of Bahrain by the CBB, or persons appointed by the CBB, at any time. Insurance licensees must comply with the minimum record-keeping requirements contained in Module GR. Books of accounts must comply with International Financial Reporting Standard (IFRS) (and for Takaful and Retakaful companies relevant AAOIFI standards), and recognised international actuarial standards.

### *Provision of Information*

**AU-2.8.2**

Articles 58, 111 and 114 of the CBB Law require that insurance licensees act in an open and cooperative manner with the CBB. Insurance licensees must meet the regulatory reporting and public disclosure requirements contained in Modules BR and PD respectively.

### *General Conduct*

**AU-2.8.3**

Insurance licensees must conduct their activities in a professional and orderly manner, in keeping with good market practice standards. Insurance licensees must comply with the general standards of business conduct contained in Module PB, as well as the standards relating to treatment of customers contained in Module BC.

### *License and Registration Fees*

**AU-2.8.4**

Insurance licensees and registered persons must comply with any license and registration fee requirements applied by the CBB, and outlined in Chapter AU-6.

AU-2.8.5

Following the transfer of insurance supervision to the CBB, the Central Bank is applying license and registration fees on insurance licensees and registered persons, effective for the year 2007.



<b>MODULE</b>	<b>AU:</b>	<b>Authorisation</b>
<b>CHAPTER</b>	<b>AU-2:</b>	<b>Licensing Conditions</b>

## **AU-2.8 Condition 8: Other Requirements (continued)**

### *Additional Conditions*

#### **AU-2.8.6**

**Insurance licensees** must comply with any other specific requirements or restrictions imposed by the CBB on the scope of their license.

AU-2.8.7 When granting a license, the CBB specifies the regulated insurance service that the licensee may undertake and (where relevant) the type and classes of insurance business that the licensee may undertake. Pursuant to Article 45 of the CBB Law, the CBB has the right to impose such terms and conditions, as it deems necessary when issuing a license. Licensees must respect the scope of their license. Section AU-5.4 sets out the process for varying the scope of an authorisation, should a licensee wish to undertake new regulated insurance services.

AU-2.8.8 In addition, the CBB may impose additional restrictions or requirements, beyond those already specified in Volume 3, to address specific risks. For instance, authorisation may be granted subject to strict limitations on intra-group transactions.



<b>MODULE</b>	<b>AU:</b>	<b>Authorisation</b>
<b>CHAPTER</b>	<b>AU-3:</b>	<b>Approved Persons Conditions</b>

## **AU-3.1 Condition 1: 'Fit and Proper'**

### **AU-3.1.1**

Licensees seeking an approved person authorisation for an individual, must satisfy the CBB that the individual concerned is 'fit and proper' to undertake the controlled function in question.

### AU-3.1.2

The authorisation requirement for persons nominated to carry out controlled functions is contained in Section AU-1.2. The authorisation process is described in Section AU-5.2.

### **AU-3.1.3**

Each applicant applying for approved person status and those individuals occupying approved person positions must comply with the following conditions:

- (a) Has not previously been convicted of any felony or crime that relates to his/her honesty and/or integrity unless he/she has subsequently been restored to good standing;
- (b) Has not been the subject of any adverse finding in a civil action by any court or competent jurisdiction, relating to fraud;
- (c) Has not been adjudged bankrupt by a court unless a period of 10 years has passed, during which the person has been able to meet all his/her obligations and has achieved economic accomplishments;
- (d) Has not been disqualified by a court, regulator or other competent body, as a director or as a manager of a corporation;
- (e) Has not failed to satisfy a judgement debt under a court order resulting from a business relationship;
- (f) Must have personal integrity, good conduct and reputation;
- (g) Has appropriate professional and other qualifications for the controlled function in question; and
- (h) Has sufficient experience to perform the duties of the controlled function.



<b>MODULE</b>	<b>AU:</b>	<b>Authorisation</b>
<b>CHAPTER</b>	<b>AU-3:</b>	<b>Approved Persons Conditions</b>

## **AU-3.1 Condition 1: 'Fit and Proper' (continued)**

AU-3.1.4 In assessing the conditions prescribed in Paragraph AU-3.1.3, the CBB will take into account the criteria contained in Paragraph AU-3.1.5. The CBB reviews each application on a case-by-case basis, taking into account all relevant circumstances. A person may be considered 'fit and proper' to undertake one type of controlled function but not another, depending on the function's job size and required levels of experience and expertise. Similarly, a person approved to undertake a controlled function in one insurance licensee may not be considered to have sufficient expertise and experience to undertake nominally the same controlled function but in a much bigger licensee.

AU-3.1.5 In assessing a person's fitness and propriety, the CBB will also consider previous professional and personal conduct (in Bahrain or elsewhere) including, but not limited to, the following:

- (a) The propriety of a person's conduct, whether or not such conduct resulted in a criminal offence being committed, 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 misfeasance or other misconduct in connection with the formation or management of a corporation or partnership;
- (d) Whether the person, or any body corporate, partnership or unincorporated institution to which the applicant has, or has been associated with as a director, controller, manager or company secretary been the subject of any disciplinary proceeding, investigation or fines by any government authority, regulatory agency or professional body or association;
- (e) The contravention of any financial services legislation;
- (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) 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;
- (i) The extent to which the person has been truthful and open with supervisors; and
- (j) Whether the person has ever entered into any arrangement with creditors in relation to the inability to pay due debts.

AU-3.1.6 With respect to Paragraph AU-3.1.5, the CBB will take into account the length of time since any such event occurred, as well as the seriousness of the matter in question.

### **AU-3.1.7**

Approved persons undertaking a controlled function must act prudently, and with honesty, integrity, care, skill and due diligence in the performance of their duties. They must avoid conflicts of interest arising whilst undertaking a controlled function.



<b>MODULE</b>	<b>AU:</b>	<b>Authorisation</b>
<b>CHAPTER</b>	<b>AU-3:</b>	<b>Approved Persons Conditions</b>

### **AU-3.1 Condition 1: 'Fit and Proper' (Continued)**

AU-3.1.8 In determining where there may be a conflict of interest arising, factors that may be considered will include whether:

- (a) A person has breached any fiduciary obligations to the company or terms of employment;
- (b) A person has undertaken actions that would be difficult to defend, when looked at objectively, as being in the interest of the licensee; and
- (c) A person has failed to declare a personal interest that has a material impact in terms of the person's relationship with the licensee.

AU-3.1.9 Further guidance on the process for assessing a person's 'fit and proper' status is given in Module EN (Enforcement): see Chapter EN-8



<b>MODULE</b>	<b>AU:</b>	<b>Authorisation</b>
<b>CHAPTER</b>	<b>AU-3:</b>	<b>Approved Persons Conditions</b>

## **AU-3.2 [This Section was deleted in January 2016]**

AU-3.2.1 [This Paragraph was deleted in January 2016.]

AU-3.2.2 [This Paragraph was deleted in January 2016.]

AU-3.2.3 [This Paragraph was moved to Paragraph AU-3.1.9 in January 2016.]



<b>MODULE</b>	<b>AU:</b>	<b>Authorisation</b>
<b>CHAPTER</b>	<b>AU-4:</b>	<b>Registration Conditions</b>

## **AU-4.1 Condition 1: Relevant Expertise**

### **AU-4.1.1**

**Actuaries, loss adjusters and appointed representatives** seeking registration must satisfy the CBB that they have relevant expertise and qualifications. They must hold appropriate professional qualifications from a relevant, recognised professional body.

#### AU-4.1.2

For **actuaries**, all Fellows (or members of equivalent status) in good standing of the Society of Actuaries (USA), the Institute and Faculty of Actuaries (UK) or the American Academy of Actuaries or any other similar body with mutually reciprocal licensing arrangements with any of these bodies, will satisfy the requirement in Paragraph AU-4.1.1.

#### AU-4.1.2A

For **loss adjusters**, all Fellows (or members of equivalent status) in good standing of the Chartered Institute of Loss Adjusters (CILA), the European Federation of Loss Adjusting Experts (FUEDI), the National Association of Independent Insurance Adjusters (NAIIA) or the Canadian Independent Adjusters' Association (CIAA) or any other similar body with mutually reciprocal licensing arrangements with any of these bodies, will satisfy the requirements in Paragraph AU-4.1.1.

#### AU-4.1.3

In the case of corporate persons wishing to provide actuarial or **loss adjuster** services, the CBB expects management and other staff collectively to have sufficient appropriate professional qualifications to ensure a professional level of service.

#### AU-4.1.4

The above requirement does not oblige **actuaries** or **loss adjusters** to be residents of the Kingdom of Bahrain, in order to be registered by the CBB. Non-resident **actuaries** and **loss adjusters** wishing to practice in Bahrain may seek registration on the same basis as resident **actuaries** and **loss adjusters**.

#### AU-4.1.5

For purposes of Paragraph AU-4.1.1 and as outlined in Chapter GR-9, the minimum qualifications of **appointed representatives** recognised by the CBB are:

- (a) For general insurance, the Award in General Insurance from the Chartered Insurance Institute (CII) and the Bahrain Institute of Banking and Finance (BIBF); and
- (b) For long-term insurance, the Award in Financial Planning from the Chartered Insurance Institute (CII) and the Bahrain Institute of Banking and Finance (BIBF).

#### AU-4.1.6

For **appointed representatives**, upon written application to the CBB, equivalent or higher qualification from an internationally recognised insurance institute may be acceptable, provided it substantially covers the core syllabuses of the minimum qualifications outlined in Paragraph GR-9.1.5B.

### **AU-4.1.7**

**In the case of corporate persons, the appointed representative must designate the individuals that will act on their behalf. Such individuals must meet the minimum qualifications outlined in Paragraph GR-9.1.5B.**



<b>MODULE</b>	<b>AU:</b>	<b>Authorisation</b>
<b>CHAPTER</b>	<b>AU-4:</b>	<b>Registration Conditions</b>

## **AU-4.2 Condition 2: General Suitability**

### **AU-4.2.1**

Actuaries, loss adjusters and appointed representatives seeking registration must satisfy the CBB that the proposed registrants are generally suitable to operate as such.

AU-4.2.2 In the case of natural persons, the CBB will have regard to the fitness and propriety of the proposed registrant, using the Rules and Guidance contained in Section AU-3.1.

AU-4.2.3 In the case of corporate persons, the CBB will have regard to the corporation's reputation, financial soundness, and business conduct. The CBB will also review closely linked entities against the same criteria, using the definition of close links contained in Module GR.



<b>MODULE</b>	<b>AU:</b>	<b>Authorisation</b>
<b>CHAPTER</b>	<b>AU-5:</b>	<b>Information Requirements and Processes</b>

## **AU-5.1      Licensing**

### *Application Form and Documents*

#### **AU-5.1.1**

Applicants for a license must fill in the Application Form 1 (Application for a License) online, available on the CBB website under E-services/online Forms. The applicant must upload scanned copies of supporting documents listed in Paragraph AU-5.1.5, unless otherwise directed by the CBB.

#### **AU-5.1.2**

Articles 44 to 47 of the CBB Law govern the licensing process. This prescribes a single stage process, with the CBB required to take a decision within 60 calendar days of an application being deemed complete (i.e. containing all required information and documents). See below, for further details on the licensing process and timelines.

#### AU-5.1.3

References to applicant mean the proposed licensee seeking authorisation. An applicant may appoint a representative – such as a law firm or professional consultancy – to prepare and submit the application. However, the applicant retains full responsibility for the accuracy and completeness of the application, and is required to certify the application form accordingly. The CBB also expects to be able to liaise directly with the applicant during the authorisation process, when seeking clarification of any issues.

#### AU-5.1.4

[This Paragraph was deleted in January 2016.]

#### **AU-5.1.5**

**Unless otherwise directed by the CBB, the following documents must be provided in support of a Form 1:**

- (a) A duly completed Form 2 (Application for Authorisation of Controller) for each controller of the proposed licensee;
- (b) A duly completed Form 3 (Application for Approved Person status), for each individual applying to undertake controlled functions, (as defined under Paragraph AU-1.2.2) of the proposed licensee;
- (c) A comprehensive business plan for the application, addressing the matters described in Paragraph AU-5.1.6;
- (d) For overseas companies, a copy of the company's current commercial registration or equivalent documentation;
- (e) Where the applicant is a Bahraini company, a copy of the applicant's commercial registration certificate;



<b>MODULE</b>	<b>AU:</b>	<b>Authorisation</b>
<b>CHAPTER</b>	<b>AU-5:</b>	<b>Information Requirements and Processes</b>

## **AU-5.1      Licensing (continued)**

- (f) Where the applicant is a corporate body, a certified copy of a ued Board resolution of the applicant, confirming its decision to seek a CBB insurance license;
- (g) Details of the proposed licensee's close links, as specified under Chapter GR-6;
- (h) In the case of applicants that are part of a regulated group, a letter of non-objection to the proposed license application from the applicant's home supervisor, together with confirmation that the group is in good regulatory standing and is in compliance with applicable supervisory requirements, including those relating to capital and solvency requirements;
- (i) In the case of branch applicants, a letter of non-objection to the proposed license application from the applicant's home supervisor, together with confirmation that the applicant is in good regulatory standing and the company concerned is in compliance with applicable supervisory requirements, including those relating to capital and solvency requirements;
- (j) In the case of branch applicants, copies of the audited financial statements of the applicant (head office) for the three years immediately prior to the date of application;
- (k) In the case of applicants that are part of a group, copies of the audited financial statements of the applicant's group, for the three years immediately prior to the date of application;
- (l) In the case of applicants not falling under either (j) or (k) above, copies of the audited financial statements of the applicant's major shareholder, for the three years immediately prior to the date of application;
- (m) In the case of applicants seeking to raise part of their capital through a private placement, a draft of the relevant private placement memorandum, together with a formal, independent legal opinion that the documents comply with all applicable capital markets laws and regulations;
- (n) A draft copy of the applicant's memorandum and articles of association, addressing the matters described in Paragraph AU-5.1.8;
- (o) [Subparagraph deleted in January 2008];
- (p) [Subparagraph deleted in January 2008];



<b>MODULE</b>	<b>AU:</b>	<b>Authorisation</b>
<b>CHAPTER</b>	<b>AU-5:</b>	<b>Information Requirements and Processes</b>

## **AU-5.1      Licensing (continued)**

- (q) For insurance firms and insurance brokers, confirmation of the cash deposit required to be held with a retail bank in Bahrain under Article 181 of the CBB Law (see Section GR-7.1); and
- (r) [Subparagraph deleted in January 2008].

### AU-5.1.5A

The CBB may require that an acceptably worded letter of guarantee be provided in support of the application for a license. Where the application for the license is for an incorporated entity, the CBB may seek a letter of guarantee from the major shareholder. Where the application is for an overseas insurance licensee, the CBB may seek a letter of guarantee from the parent company.

### AU-5.1.6

**The business plan submitted in support of an application must explain:**

- (a) An outline of the history of the applicant and its shareholders;
- (b) The reasons for applying for a license, including the applicant's strategy and market objectives;
- (c) The proposed type of activities to be carried on by the applicant in/from the Kingdom of Bahrain;
- (d) The proposed Board and senior management of the applicant and the proposed organisational structure of the applicant;
- (e) An assessment of the risks that may be faced by the applicant, together with the proposed systems and controls framework to be put in place for addressing those risks and to be used for the main business functions, including underwriting, claims and accounting; and
- (f) An opening balance sheet for the applicant, together with a three-year financial projection, with all assumptions clearly outlined, demonstrating that the applicant will be able to meet applicable capital adequacy and solvency requirements.

### AU-5.1.7

In the case of applicants seeking to raise capital (refer to AU-5.1.5(m)), the CBB's review is aimed at checking that the proposed private placement complies with applicable capital markets laws and regulations, and that the information contained in the private placement memorandum ('PPM') is consistent with the information provided in the license application. The CBB's review does not in any way constitute an approval or endorsement as to any claims made in the PPM regarding the future value of the company concerned. Note also that the CBB will not license applicants without a core group of sponsoring shareholders (who can demonstrate a strong business track record with relevant expertise), and where failure of the private placement to raise its targeted amount would leave the institution unable to comply with the CBB's minimum capital requirements. The CBB will normally expect core shareholders to account for at least 40% of the applicant's proposed initial total capital.



<b>MODULE</b>	<b>AU:</b>	<b>Authorisation</b>
<b>CHAPTER</b>	<b>AU-5:</b>	<b>Information Requirements and Processes</b>

## **AU-5.1      Licensing (continued)**

### **AU-5.1.8**

The applicant's memorandum and articles of association must explicitly provide for it to undertake the activities proposed in the licensed application, and must preclude the applicant from undertaking other regulated insurance services, or commercial activities, unless these arise out of its insurance activities or are incidental to those.

### **AU-5.1.9**

All documentation provided to the CBB as part of an application for a license must be in either the Arabic or English languages. Any documentation in a language other than English or Arabic must be accompanied by a certified English or Arabic translation thereof.

### **AU-5.1.10**

Any material changes or proposed changes to the information provided to the CBB in support of an authorisation application that occurs prior to authorisation must be reported to the CBB.

### AU-5.1.11

Failure to inform the CBB of the changes specified in Paragraph AU-5.1.10 is likely to be viewed as a failure to provide full and open disclosure of information, and thus a failure to meet licensing condition AU-2.8.2.

### ***Licensing Process and Timelines***

### AU-5.1.12

By law, the 60-day time limit referred to in Paragraph AU-5.1.2 only applies once the application is complete and all required information (which may include any clarifications requested by the CBB) and documents have been provided. This means that all the items specified in Rule AU-5.1.5 have to be provided, before the CBB may issue a license.

### AU-5.1.12A

The CBB recognises, however, that applicants may find it difficult to secure suitable senior management (refer AU-5.1.5(b) above) in the absence of preliminary assurances regarding the likelihood of obtaining a license. Likewise, a Bahrain company proposing to undertake financial services activities would not be able to obtain a commercial registration from the Ministry of Commerce and Industry without such assurances (refer AU-5.1.5(e) above).

### AU-5.1.12B

Therefore, applicants may first submit an unsigned Form 1 in draft, together with as many as possible of the items specified in Rule 5.1.5. This draft application should contain at least items AU-5.1.5(a); AU-5.1.5(b), with respect to proposed Directors (but not necessarily senior management); AU-5.1.5(c); AU-5.1.5(d); and AU-5.1.5(g) to AU-5.1.5(m) inclusive.



<b>MODULE</b>	<b>AU:</b>	<b>Authorisation</b>
<b>CHAPTER</b>	<b>AU-5:</b>	<b>Information Requirements and Processes</b>

## **AU-5.1      Licensing (continued)**

AU-5.1.12C On the basis of the information specified in Paragraph AU-5.1.12B, the CBB may provide an initial ‘in principle’ confirmation that the applicant appears likely to meet the CBB’s licensing requirements, subject to the remaining information and documents being assessed as satisfactory. The ‘in principle’ confirmation will also list all outstanding documents required before an application can be considered complete and subject to formal consideration.

AU-5.1.12D An ‘in principle’ confirmation does not constitute a license approval, nor does it commit the CBB to issuing a license. However, it provides sufficient assurance for an applicant to complete certain practical steps, such as securing suitable executive staff that satisfy CBB’s ‘fit and proper’ requirements. Once this has been done, the applicant may finalise its application, by submitting the remaining documents required under Rule AU-5.1.5 and, once assessed as complete by the CBB, a signed and dated final version of Form 1.

AU-5.1.12E Regardless of whether an applicant submits a draft application or not, all potential applicants are strongly encouraged to contact the CBB at an early stage to discuss their plans, for guidance on the CBB’s license categories and associated requirements. The Licensing Directorate would normally expect to hold at least one pre-application meeting with an applicant, prior to receiving an application (either in draft or in final).

AU-5.1.12F Potential applicants should initiate pre-application meetings in writing, setting out a short summary of their proposed business and any issues or questions that they may have already identified, once they have a clear business proposition in mind and have undertaken their preliminary research. The Central Bank can then guide the applicant on the specific areas in the Rulebook that will apply to them and the relevant requirements that they must address in their application.

### **AU-5.1.12G**

**At no point should an applicant hold themselves out as having been licensed by the CBB, prior to receiving formal written notification of the fact in accordance with Rule AU-5.1.12H below. Failure to do so may constitute grounds for refusing an application and result in a contravention of Articles 40 and 41 of the CBB Law (which carries a maximum penalty of BD 1 million).**

#### ***Granting or Refusal of License***

### **AU-5.1.12H**

To be granted a license, an applicant must demonstrate compliance with the applicable requirements of the CBB Law and this Module. Should a license be granted, the CBB will notify the applicant in writing of the fact; the CBB will also publish its decision to grant a license in the Official Gazette and in two local newspapers (one published in Arabic, the other in English). The license may be subject to such terms and conditions as the CBB deems necessary for the additional conditions being met.



<b>MODULE</b>	<b>AU:</b>	<b>Authorisation</b>
<b>CHAPTER</b>	<b>AU-5:</b>	<b>Information Requirements and Processes</b>

## **AU-5.1      Licensing (continued)**

### ***Granting or Refusal of License (continued)***

AU-5.1.12I The CBB may refuse to grant a license if in its opinion:

- (a) The requirements of the CBB Law or this Module are not met;
- (b) False or misleading information has been provided to the CBB, or information which should have been provided to the CBB has not been so provided; or
- (c) The CBB believes it necessary in order to safeguard the interests of potential customers.

AU-5.1.12J Where the CBB proposes to refuse an application for a license, it will give the applicant a written notice to that effect. Applicants will be given a minimum of 30 calendar days from the date of the written notice to appeal the decision, as per the appeal procedures specified in the notice; these procedures will comply with the provisions contained in Article 46 of the CBB Law.

### ***Starting Operations***

AU-5.1.13 Within 6 months of the license being issued, the new licensee must provide to the CBB (if not previously submitted):

- (a) The registered office address and details of premises to be used to carry out the business of the proposed licensee;
- (b) The address in the Kingdom of Bahrain where full business records will be kept;
- (c) The licensee's contact details including telephone and fax number, e-mail address and website;
- (d) A copy of its business continuity plan;
- (e) A description of the IT system that will be used, including details of how IT systems and other records will be backed up;
- (f) A copy of the auditor's acceptance to act as auditor for the applicant;
- (g) A copy of an auditor's opinion certifying that the licensee's capital – as specified in the business plan submitted under Rule AU-5.1.5 – has been paid in;
- (h) For insurance brokers and insurance consultants, a copy of the licensee's professional indemnity insurance policy or confirmation that a deposit to an amount specified by the CBB has been placed in escrow in an account of a retail bank licensed in the Kingdom of Bahrain (see Chapter GR-10);
- (i) A copy of the applicant's notarised memorandum and articles of association, addressing the matters described in Paragraph AU-5.1.8;



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## **AU-5.1      Licensing (continued)**

- (j) A copy of the Ministry of Industry and Commerce commercial registration certificate;
- (k) An updated organisation chart showing the reporting lines, committees (if any) and including the names of the persons undertaking the controlled functions;
- (l) A copy of the licensee's business card and any written communication (including stationery, website, e-mail, business documentation, etc.) including a statement that the insurance licensee is licensed by the CBB; and
- (m) Any other information as may be specified by the CBB.

### **AU-5.1.14**

New licensees must start their operations within 6 months of being granted a license by the CBB, failing which the CBB may cancel the license, as per the powers and procedures set out in Article 48 of the CBB Law.

### AU-5.1.15

The procedures for amending or cancelling licenses are contained in Sections AU-5.4 and AU-5.5 respectively.



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## **AU-5.2 Approved Persons**

### *Prior Approval Requirements and Process*

#### **AU-5.2.1**

Insurance licensees must obtain CBB's prior written approval before a person is formally appointed to a controlled function. The request for CBB approval must be made by submitting to the CBB a duly completed Form 3 (Application for Approved Person status) and Curriculum Vitae after verifying that all the information contained in Form 3, including previous experience, is accurate. Form 3 is available under Volume 3 Part B Authorisation Forms of the CBB Rulebook.

#### **AU-5.2.2**

When the request for approved person status forms part of a license application, the Form 3 must be marked for the attention of the Director, Licensing Directorate. When the submission to undertake a controlled function is in relation to an existing insurance licensee, the Form 3, except if dealing with a MLRO, must be marked for the attention of the Director, Insurance Supervision Directorate. In the case of the MLRO, Form 3 should be marked for the attention of the Director, Compliance Directorate.

#### **AU-5.2.2A**

When submitting the Forms 3, insurance licensees must ensure that the Form 3 is:

- (a) Submitted to the CBB with a covering letter signed by an authorised representative of the insurance licensee, seeking approval for the proposed controlled function;
- (b) Submitted in original form;
- (c) Submitted with a certified copy of the applicant's passport, original or certified copies of educational and professional qualification certificates (and translation if not in Arabic or English) and the Curriculum Vitae; and
- (d) Signed by an authorised representative of the licensee and all pages stamped with the licensee's seal.

#### **AU-5.2.2B**

Insurance licensees seeking to appoint Board Directors must seek CBB approval for all the candidates to be put forward for election/approval at a shareholders' meeting, in advance of the agenda being issued to shareholders. CBB approval of the candidates does not in any way limit shareholders' rights to refuse those put forward for election/approval.



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## **AU-5.2 Approved Persons (continued)**

AU-5.2.2C For existing licensees applying for the appointment of a Director or the Chief Executive/General Manager, the authorised representative should be the Chairman of the Board or a Director signing on behalf of the Board. For all other controlled functions, the authorised representative should be the Chief Executive/General Manager.

### ***Assessment of Application***

AU-5.2.3 The CBB shall review and assess the application for approved person status to ensure that it satisfies all the conditions required in Paragraph AU-3.1.3 and the criteria outlined in Paragraph AU-3.1.5.

AU-5.2.4 For purposes of Paragraph AU-5.2.3, insurance licensees should give the CBB a reasonable amount of notice in order for an application to be reviewed. The CBB shall respond within 15 business days from the date of meeting all regulatory requirements, including but not limited to receiving the application complete with all the required information and documents, as well as verifying references.

AU-5.2.4A The CBB reserves the right to refuse an application for approved person status if it does not satisfy the conditions provided for in Paragraph AU-3.1.3 and does not satisfy the CBB criteria in Paragraph AU-3.1.5. A notice of such refusal is issued by registered mail to the insurance licensee concerned, setting out the basis for the decision.

AU-5.2.5 [This Paragraph was deleted in January 2016.]

### ***Appeal Process***

AU-5.2.5A Insurance licensees or the nominated approved persons may, within 30 calendar days of the notification, appeal against the CBB's decision to refuse the application for approved person status. The CBB shall decide on the appeal and notify the insurance licensee of its decision within 30 calendar days from submitting the appeal.

AU-5.2.5B Where notification of the CBB's decision to grant a person approved person status is not issued within 15 business days from the date of meeting all regulatory requirements, including but not limited to, receiving the application complete with all the required information and documents, insurance licensees or the nominated approved persons may appeal to the Executive Director, Financial Institutions Supervision of the CBB provided that the appeal is justified with supporting documents. The CBB shall decide on the appeal and notify the insurance licensee of its decision within 30 calendar days from the date of submitting the appeal.



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## **AU-5.2      Approved Persons (continued)**

### *Notification Requirements and Process*

**AU-5.2.6**

Insurance licensees must immediately notify the CBB when an approved person ceases to hold a controlled function together with an explanation as to the reasons why (see Paragraph AU-5.5.6). In such cases, their approved person status is automatically withdrawn by the CBB.

**AU-5.2.7**

Insurance licensees must immediately notify the CBB in case of any material change to the information provided in a Form 3 submitted for an approved person.

**AU-5.2.8**

Insurance licensees must immediately notify the CBB when they become aware of any of the events listed in Paragraph EN-8.2.3, affecting one of their approved persons.



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## **AU-5.3      Registration**

### **AU-5.3.1**

Persons wishing to be registered as an actuary or loss adjuster must submit a duly completed Form 4 (Application for Registration). Persons wishing to be registered as appointed representative must submit Form 5 (Application for Appointed Representative). The forms must be marked for the attention of the Director, Licensing Directorate.

AU-5.3.2      The CBB aims to respond to applications for registration within 2 weeks of receipt of a Form 4 or Form 5, although in some cases, where referral to an overseas supervisor is required, the response time is likely to be longer.

AU-5.3.3      All refusals by the CBB to grant a person registered person status have to be reviewed and approved by an Executive Director of the CBB. A notice of intent is issued to the applicant concerned, setting out the basis for the decision. The applicant has 30 calendar days from the date of the notice in which to appeal the decision. The CBB then has 30 calendar days from the date of the representation in which to make a final determination. See also Chapter EN-9.



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## **AU-5.4      Amendment of Authorisation**

### *Licenses*

#### **AU-5.4.1**

Insurance licensees wishing to vary the scope of their license must obtain the CBB's written approval, before effecting any such change. Insurance licensees must seek prior CBB approval before undertaking new activities (such as carrying out or broking new classes of business). Approval must be sought whenever a licensee wishes to add or cease undertaking a regulated insurance service, or to vary a condition imposed on their license.

#### AU-5.4.2

Failure to secure the CBB approval prior to effecting such changes is likely to be viewed as a serious breach of a licensee's regulatory obligations and may constitute a breach of Article 40(a), as well as Article 50(a) of the CBB Law.

#### **AU-5.4.3**

In addition to any other information requested by the CBB, and unless otherwise directed by the CBB, an insurance licensee requesting CBB approval to undertake new regulated insurance services must provide the following documentation:

- (a) A summary of the rationale for undertaking the proposed new service;
- (b) A description of how the new service will be managed and controlled;
- (c) An analysis of the financial impact of the new service; and
- (d) A summary of the due diligence undertaken by the Board and management of the insurance licensee on the proposed new service.

#### AU-5.4.4

The CBB will only agree to amend a license if doing so poses, in its judgement, no unacceptable risks to customers. As provided for under Article 48 of the CBB Law, the CBB may itself move to amend a license, for instance if a licensee fails to satisfy any of its existing license conditions or protecting the legitimate interests of customers or creditors of the licensee requires such a change. See also Chapter EN-7, regarding the cancellation or amendment of licenses, including the procedures used in such instances.

### *Approved Persons*

#### **AU-5.4.5**

Insurance licensees must seek prior CBB approval before an approved person may move from one controlled function to another within the same licensee.



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## **AU-5.4      Amendment of Authorisation (continued)**

AU-5.4.6      In such instances, a new Form 3 (Application for Approved Person status) should be completed and submitted to the CBB. Note that a person may be considered 'fit and proper' for one controlled function, but not for another, if for instance the new role requires a different set of skills and experience. Where an approved person is moving to a controlled function in another licensee, the first licensee should notify the CBB of that person's departure (see Rule AU-5.5.6), and the new licensee should submit a request for approval under Rule AU-1.2.1.



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## **AU-5.5 Cancellation of Authorisation**

### *Voluntary Surrender of a License or Closure of a Branch*

#### **AU-5.5.1**

In accordance with Article 50 of the CBB Law, insurance licensees wishing to cancel their license or cease activities for a branch must obtain the CBB's written approval, before ceasing their activities. All such requests must be made in writing to the Director, Insurance Supervision Directorate, setting out in full the reasons for the request and how the business is to be wound up.

#### **AU-5.5.2**

Insurance licensees must satisfy the CBB that their customers' interests are to be safeguarded during and after the proposed cancellation. The requirements contained in Module GR regarding cessation of business must be satisfied.

#### AU-5.5.3

Failure to comply with Rule AU-5.5.1 may constitute a breach of Article 50(a) of the CBB Law. The CBB will only approve such requests where it has no outstanding regulatory concerns and any relevant customers' interests would not be prejudiced. A voluntary surrender will not be accepted where it is aimed at pre-empting supervisory actions by the CBB. A voluntary surrender will only take effect once the licensee, in the opinion of the CBB, has discharged all its regulatory responsibilities to customers.

### *Cancellation of a License by the CBB*

#### AU-5.5.4

As provided for under Article 48 (c) of the CBB Law, the CBB may itself move to cancel a license, for instance if a licensee fails to satisfy any of its existing license conditions or protecting the legitimate interests of customers or creditors of the licensee requires a cancellation. The CBB generally views the cancellation of a license as appropriate only in the most serious of circumstances, and generally tries to address supervisory concerns through other means beforehand. See also Chapter EN-7, regarding the cancellation or amendment of licenses, including the procedures used in such instances and the licensee's right to appeal the formal notice of cancellation issued by the CBB.

#### AU-5.5.4A

Cancellation of a license requires the CBB to issue a formal notice of cancellation to the licensee concerned. The notice of cancellation describes the CBB's rationale for the proposed cancellation, as specified in Article 48(d) of the CBB Law.

#### AU-5.5.4B

Where the cancellation of a license has been confirmed by the CBB, the CBB will only effect the cancellation once a licensee has discharged all its regulatory responsibilities to clients. Until such time, the CBB will retain all its regulatory powers towards the licensee and will direct the licensee so that no new regulated insurance services may be undertaken whilst the licensee discharges its obligations to its clients.



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## **AU-5.5 Cancellation of Authorisation**

### **AU-5.5.5**

In the case of insurance brokers and insurance consultants, the requirements relating to professional indemnity coverage must be observed (see Paragraph GR-10.1.8).

#### *Approved Persons*

### **AU-5.5.6**

In accordance with Paragraph AU-5.2.6, insurance licensees must promptly notify the CBB in writing when a person undertaking a controlled function will no longer be carrying out that function. If a controlled function falls vacant, the insurance licensee must appoint a permanent replacement (after obtaining CBB approval), within 120 calendar days of the vacancy occurring. Pending the appointment of a permanent replacement, the insurance licensee must make immediate interim arrangements to ensure continuity of the duties and responsibilities of the controlled function affected. These interim arrangements must be approved by the CBB.

### AU-5.5.7

The explanation given for any such changes should simply identify if the planned move was prompted by any concerns over the person concerned, or is due to a routine staff change, retirement or similar reason.

### AU-5.5.8

The CBB may also move to declare someone as not 'fit and proper', in response to significant compliance failures or other improper behaviour by that person: see Chapter EN-8 regarding the cancellation of 'fit and proper' approval

#### *Registered Persons*

### **AU-5.5.9**

Registered actuaries, loss adjusters and appointed representatives wishing to cancel their registration status with the CBB must obtain the CBB's written approval. All such requests must be made in writing to the Director, Insurance Supervision Directorate.

### AU-5.5.10

The CBB may itself cancel the registered status of an actuary, loss adjuster or appointed representative should the registered person fail to comply with registration conditions outlined in Chapter AU-4: see Chapter EN-9 regarding the cancellation of registration.



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## **AU-5.6      Publication of the Decision to Grant, Cancel or Amend a License**

**AU-5.6.1** In accordance with Articles 47 and 49 of the CBB Law, the CBB will publish its decision to grant, cancel or amend a license in the Official Gazette and in two local newspapers, one in Arabic and the other in English.

**AU-5.6.2** For the purposes of Paragraph AU-5.6.1, the cost of publication must be borne by the Licensee.

**AU-5.6.3** The CBB may also publish its decision on such cancellation or amendment using any other means it considers appropriate, including electronic means.



<b>MODULE</b>	<b>AU:</b>	<b>Authorisation</b>
<b>CHAPTER</b>	<b>AU-6:</b>	<b>Licensing and Registration Fees</b>

## **AU-6.1      Introduction**

### **AU-6.1.1**

Insurance licensees and registered persons must comply with any fees levied by the CBB, pursuant to Article 180 of the CBB Law. The fees charged vary on the type of insurance license or registration granted by the CBB. Fees are levied at the time of application for licensing and on an annual basis for licensees and registered persons, thereafter.



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## **AU-6.2 License Application Fees**

### **AU-6.2.1**

**With immediate effect, applicants seeking an insurance license from the CBB must pay a non-refundable application fee of BD 100 at the time of submitting their application to the CBB.**

AU-6.2.2 There are no application fees for those seeking approved person status.

AU-6.2.3 Actuaries, loss adjusters and appointed representatives seeking registration status are exempt from application fees but are subject to annual fees as outlined in Section AU-6.3.



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## **AU-6.3      Annual Fees**

### **AU-6.3.1**

Insurance licensees or registered persons must pay to the CBB an annual licensing or registration fee, on 1<sup>st</sup> December of the preceding year for which fees are due.

### AU-6.3.2

The relevant fees are specified in Rules AU-6.3.3 to AU-6.3.6A below: different fees are specified for insurance firms (other than captive insurance firms), captive insurance firms, insurance brokers, insurance consultants, insurance managers, actuaries, loss adjusters and appointed representatives. The fees due on 1<sup>st</sup> December are those due for the following calendar year. Where applicable, variable fees are calculated on the basis of the firm's latest audited financial statements for the previous calendar year: i.e. the fee payable on 1<sup>st</sup> December 2013 for the 2014 year (for example) based on a percentage, is calculated using the audited financial statements for 2012, assuming a 31<sup>st</sup> December year end.

### **AU-6.3.3**

For insurance firms, other than captive insurance firms, the annual licensing fee is a fixed amount of BD 6,000. For captive insurance firms, the annual licensing fee is a fixed amount of BD 1,000.

### **AU-6.3.4**

Insurance brokers, other than Bahraini single person companies, all insurance consultants and all insurance managers must pay a variable annual licensing fee, based on 0.25% of their relevant operating expenses, subject to a minimum ('floor') of BD 500 and a maximum ('cap') of BD 3,000.

### **AU-6.3.5**

For insurance brokers that are Bahraini single person companies, the annual licensing fee is a fixed amount of BD 175.

### **AU-6.3.6**

The annual registration fee for registered actuaries is a fixed amount of BD 25. For registered loss adjusters, unincorporated individuals must pay an annual registration fee of a fixed amount of BD 175 while incorporated loss adjusters must pay an annual registration fee of a fixed amount of BD 1,200.

### **AU-6.3.6A**

For appointed representatives, the annual fee must be paid by the licensed principal. The fee for registered appointed representatives, that are unincorporated individuals is a fixed amount of BD 25. For incorporated appointed representatives, the fixed annual fee is based on the number of designated individuals within the corporate entity that are the representatives of the insurance firm. For incorporated appointed representatives that have:

- (a) 1 to 10 designated individuals, the fee is BD500;
- (b) 11 to 20 designated individuals, the fee is BD 1000; and
- (c) More than 20 designated individuals, the fee is BD1500.



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<b>CHAPTER</b>	<b>AU-6:</b>	<b>Licensing and Registration Fees</b>

## **AU-6.3 Annual Fees (continued)**

### **AU-6.3.6B**

For incorporated appointed representatives, the fee amount is based on the number of designated individuals at the prior year end.

#### AU-6.3.6C

As an example, for purposes of Paragraph AU-6.3.6B, if at 31<sup>st</sup> December 2012 an incorporated appointed representative had 8 designated individuals, the fee payable on 1<sup>st</sup> December 2013 for the 2014 year would be BD 500. If during the course of the year 2013, the number of designated individuals increased to 15 by year end 2013, the fee payable for the year 2015 would be BD 1000.

### **AU-6.3.7**

For purposes of Paragraph AU-6.3.4, relevant operating expenses are defined as the total operating expenses of the licensee concerned, as recorded in the most recent audited financial statements available, subject to the adjustments specified in Rule AU-6.3.8.

### **AU-6.3.8**

The adjustments to be made to relevant operating expenses are the exclusion of the following items from total operating expenses:

- (a) Training costs;
- (b) Charitable donations;
- (c) CBB fees paid; and
- (d) Non-executive Directors' remuneration.

#### AU-6.3.9

For the avoidance of doubt, operating expenses for the purposes of this Section, do not include items such as depreciation, provisions, interest expense, and dividends

#### AU-6.3.10

The CBB would normally rely on the audited accounts of a licensee as representing a true and fair picture of its operating expenses. However, the CBB reserves the right to enquire about the accounting treatment of expenses, and/or policies on intra-group charging, if it believes that these are being used artificially to reduce a license fee.

### **AU-6.3.11**

**Insurance licensees**, subject to Paragraph AU-6.3.4 must complete and submit Form ALF (Annual License Fee) to the CBB, no later than 15<sup>th</sup> October of the preceding year for which fees are due.

#### AU-6.3.11A

Except for actuaries and loss adjustors, all annual license fees are collected by direct debit. For licensees subject to a variable fee, the fee levied will be based on form ALF that is provided in accordance with Paragraph AU-6.3.11.

### **AU-6.3.11B**

All licensees subject to direct debit for the payment of the annual fee, must complete and submit to the CBB a Direct Debit Authorisation Form by 15<sup>th</sup> September, available under Part B of Volume 3 (Insurance) CBB Rulebook on the CBB Website.



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<b>CHAPTER</b>	<b>AU-6:</b>	<b>Licensing and Registration Fees</b>

### **AU-6.3 Annual Fees (continued)**

#### **AU-6.3.11C**

For actuaries and loss adjusters, the annual fixed fee must be remitted by direct deposit or wire transfer by 1<sup>st</sup> December of the previous year for which the fees are due. Payment instructions are outlined in Form ALF which must be completed when fees are remitted.

#### **AU-6.3.12**

For new insurance firm licensees, their first annual license fee is payable when their license is issued by the CBB. The annual fee due in relation to the first year in which the license has been granted, shall be prorated for the year using the date of the official licensing letter from the CBB, as the base for the prorated period. The prorated fee will result in fees charged only for the number of complete months left in the current calendar year.

#### **AU-6.3.12A**

For those new licensees subject to a fee based on their relevant operating expenses (refer to Paragraph AU-6.3.4), the amount payable in relation to the first year in which the license has been granted is the floor amount of BD500.

#### **AU-6.3.13**

For newly registered actuaries, individual loss adjusters and appointed representatives, the full annual amount of the annual registration fee referred to in Paragraph AU-6.3.6 and AU-6.3.6A, shall be the fee required to be paid to the CBB for the first year in which the registration status has been granted.

#### **AU-6.3.14**

For newly registered incorporated loss adjusters, the annual registration fee referred to in Paragraph AU-6.3.6, shall be prorated for the year using the date of the official registration letter from the CBB, as the base for the prorated period. The prorated fee will result in fees charged only for the number of complete months left in the current calendar year, subject to a minimum fee of BD 250.

AU-6.3.15 [This Paragraph was deleted in July 2013]

AU-6.3.16 [This Paragraph was deleted in April 2009]

AU-6.3.17 Where a license or registration is cancelled (whether at the initiative of the firm or the CBB), no refund is paid for any months remaining in the calendar year in question, should a fee have been paid for that year.

AU-6.3.18 Insurance licensees or registered persons failing to comply with this Section may be subject to financial penalties for date sensitive requirements as outlined in Section EN-5.3B or may have their license or registered status withdrawn by the CBB.