



SUPPLEMENTARY INFORMATION
Appendix BR- (iv)
Module CL:
Agreed Upon Procedures



**Module CL: Agreed Upon Procedures
History**

Change Date	Description of Changes
04/2012	Initial Launch



[Insert Date]

PRIVATE AND CONFIDENTIAL

Mr XXX
Chief Financial Officer
XYZ Insurance Broker
P O Box XXX
Manama
Kingdom of Bahrain

Dear Sir

**AGREED UPON PROCEDURES RELATING TO
COMPLIANCE WITH MODULE CL (CLIENT MONEY) OF
CENTRAL BANK OF BAHRAIN VOLUME 3(INSURANCE) RULEBOOK**

We have performed the procedures agreed with you with respect to reviewing compliance by XYZ Insurance Broker (“the Broker”) with Module CL of the Central Bank of Bahrain’s (the “CBB”) Volume 3 (Insurance) Rulebook (“the Rulebook”) issued in January 2012. The agreed upon procedures have been performed pursuant to the Broker’s obligation under Paragraph CL-1.3.3 of Module CL (Client Money) and Paragraph BR – 1.5.4 of Module BR of Volume 3 (Insurance). The procedures were performed in respect of the period from January to December 20XX at your request.

Our engagement was undertaken in accordance with the International Standard on Related Services applicable to agreed-upon procedures engagements. The procedures were performed solely to assist you in evaluating whether the Broker is in compliance with Module CL of the Rulebook. The procedures performed along with our findings are summarised in the attached appendix.

The procedures performed do not constitute either an audit or a review made in accordance with International Standards on Auditing or International Standards on Review Engagements.

Had we performed additional procedures or had we performed an audit or review of the financial statements in accordance with International Standards on Auditing or International Standards on Review Engagements, other matters might have come to our attention that would have been reported to you.

Our report is solely for the purpose set forth in the first paragraph of this report and for your information and is not to be used for any other purpose or to be distributed to any other parties other than the CBB. This report relates only to the matter specified above and does not extend to any financial statements of the Broker, taken as a whole.

Yours faithfully

**XYZ INSURANCE BROKER
 AGREED UPON PROCEDURES RELATING TO COMPLIANCE WITH MODULE CL OF
 CENTRAL BANK OF BAHRAIN'S VOLUME 3 (INSURANCE) RULEBOOK**

Appendix

No.	Ref No.	Procedures performed	Our findings	Comply		If No, what is Management's action
				Yes	No	
Policies and procedures						
1.		We have obtained a copy of the broker's fiduciary assets/liabilities procedures manual ("the Manual") to assess whether it is consistent with the requirement of Module CL of the Rulebook.				
Keeping Separate Client Accounts						
2.	CL-1.1.1	We have made inquiries and obtained evidence to assess whether the insurance broker maintains one or more premiums/contributions account that holds client money separate from its own.				
3.	CL-1.1.2	We have made enquiries and obtained evidence that premiums/contributions collected in relation of a specific transaction was not used to settle amounts due from another transaction.				
4.	CL-1.1.3	We have made enquiries and obtained evidence that the payment of premiums/contributions to insurance firms was not effected until the premiums to which these payments relate were duly received from the client and credited to the client account.				

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5.	CL-1.1.4	We have made enquiries and obtained evidence that in respect of premiums/contributions booked in Bahrain in relation to residents and non-residents of Bahrain, those accounts are maintained with a retail bank licensed to do business in Bahrain.				
6.	CL-1.1.5(a)	For the holding of client money, we have sighted documentary evidence that the broker provided to the CBB a written confirmation from a retail bank licensed to do business in Bahrain, as in what capacity the retail bank is holding the client money.				
7.	CL-1.1.5(b)	We have made enquiries and obtained evidence that the broker has instructed the bank(s) not to combine the client money account(s) with any other account or to exercise any right or set-off or counterclaim against money in that account in respect of any sum owed to it on any other account of the broker.				

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No.	Ref No.	Our findings	Comply		If No, what is Management's action
			Yes	No	
Keeping Separate Client Account (continued)					
8.	CL-1.1.7	We have performed tests of documents available on the Broker's client files for a sample of clients (covering new and existing clients) with regard to establishing that client money, upon receipt, are paid into a specifically designated client bank account no later than the immediate business day after receipt.			
9.	CL-1.1.12	We have reviewed and obtained evidence that the insurance broker maintains at least one income and expenses account with a retail bank licensed to do business in Bahrain.			
10.	CL-1.1.13	We have reviewed and obtained evidence that the insurance broker has not combined or transferred income and expenses account with premiums/contributions.			
Record Keeping					
11.	CL-1.2.1	We have reviewed and obtained evidence that the insurance broker has proper records that show and explain the insurance broker's transactions and commitments in respect its client money and such records comply with the requirements of Module CL.			

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12	CL-1.2.3	We have reviewed and obtained evidence that the records of the insurance broker clearly show funds received and paid out allocated per client.				
Systems and Controls						
13	CL-2.1.1	We have reviewed and obtained evidence that the Broker maintains effective systems and controls to ensure the fulfilment of its fiduciary responsibility towards its clients, particularly protecting client money.				

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No.	Ref No.	Our findings	Comply		If No, what is Management's action
			Yes	No	
	Arrangements to Hold Client Money				
14.	CL-2.2.3	In instances where the insurance broker has transferred the credit risk from the insurance broker to the insurance firm by not holding any of the premiums/contributions, we have reviewed and obtained evidence that a written agreement is in place between the broker and the insurance firm stating that the premiums/contributions (and if the insurance firm wishes, premium refunds) are held by the insurance firm.			
15.	CL-2.2.4	In instances where the broker does handle client money, we have reviewed and obtained evidence that the broker hold such money in a client money account, properly segregated from the insurance broker's own funds.			
	Brokerage and Premiums/Contributions Collection				
16.	CL-2.3.1	We have established that refund premiums/contributions due from insurance firms and passed to the insurance broker are immediately provided to clients upon receipt from insurance firms.			

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17.	CL-2.3.2	For life/family takaful participating with profit policies, we have established that the insurance broker does not collect premiums/contributions in relation to these policies.				
18.	CL-2.3.3	We have established Brokers pay to insurance firms premiums/contributions received no later than 15 calendar days from the date of receipt of such amounts.				
19.	CL-2.3.4	We have reviewed and established that brokerage commissions are not deducted from premiums/contributions account(s).				
20.	CL-2.3.5	We have reviewed and obtained evidence that the Broker has procedures in place and complies with the prohibition of collecting additional charges from clients, when acting as agent for another person in relation to the buying of insurance for that other person or when making arrangements with a view to another person, whether as principal or agent, buying insurance.				

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No.	Ref No.	Our findings	Comply		If No, what is Management's action
			Yes	No	
		Premiums/Contributions Payments			
21.	CL-2.4.1	We have reviewed and obtained evidence that the Broker has procedures in place and complies with the requirement to immediately notify in writing the insurance/Takaful firm should the insurance broker fail to collect the amount due from the client within the agreed premiums/contributions payment terms dictated by the insurance firm.			
22.	CL-2.4.2	In the case of motor and medical classes of business of direct general business, we have reviewed and obtained evidence that the brokerage charge is limited to 15% of the premiums/contributions quoted.			