



# **AUTHORISATION MODULE**



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MODULE	AU: Authorisation
CHAPTER	AU-A: Introduction

## 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 investment services in the Kingdom of Bahrain. It also sets out CBB requirements for approving persons undertaking key functions in those providers.
- AU-A.1.2 Persons who provide any of the following regulated investment services within or from the Kingdom of Bahrain, and are not otherwise licensed by CBB as a bank, are required to be licensed by CBB as an investment firm licensee:
- (a) Dealing in financial instruments as principal;
  - (b) Dealing in financial instruments as agent;
  - (c) Arranging deals in financial instruments;
  - (d) Managing financial instruments;
  - (e) Safeguarding financial instruments (i.e. a custodian);
  - (f) Advising on financial instruments; and
  - (g) Operating a collective investment undertaking (i.e. an operator).
- AU-A.1.3 **Four** categories of investment firm license are provided for **under the CBB Rulebook**, depending on the type of regulated investment services undertaken. The requirements in Volume 4 (Investment Business) 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 investment service.
- AU-A.1.4 Collectively, licensed providers of regulated investment services are called investment firm licensees. Bahrain-incorporated investment firm licensees are called Bahraini investment firm licensees. Investment firm licensees that are incorporated in an overseas jurisdiction and operate via a branch presence in the Kingdom of Bahrain are called overseas investment firm licensees. The same naming convention applies to the various sub-categories of investment firms (e.g. Bahraini Category 1 investment firm, overseas Category 1 investment firm etc).
- AU-A.1.5 Regulated investment services are defined in Section AU-1.4. Their definition excludes operating a recognised exchange (such as the Bahrain **Bourse**) and related infrastructure (such as central clearing and depository systems). These activities are separately addressed, in the form of individual regulations issued by the CBB's Capital Markets Supervision Directorate, and the Bahrain **Bourse**.
- AU-A.1.6 Persons undertaking certain functions in relation to investment firm 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 investment firm licensees are fit and proper. Those authorised by the CBB to undertake controlled functions are called approved persons.



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## AU-A.1 Purpose (continued)

### *Retaining Authorised Status*

#### AU-A.1.7

The requirements set out in Chapters AU-2 and AU-3 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.

### *Representative Offices and Ancillary Services Providers*

#### AU-A.1.8

Neither representative offices of foreign investment firms, nor ancillary services providers, are covered in Volume 4 (Investment Business). Requirements covering these types of activities will instead be included in Volume 5.

#### AU-A.1.9

Volume 5 (Specialised Activities) of the CBB Rulebook issued in December 2010 deals with representative offices of foreign investment firms.

#### AU-A.1.10

**[This Paragraph has been deleted in September 2021].**

### *Legal Basis*

#### AU-A.1.11

This Module contains the CBB's Directive, Regulation and Resolutions (as amended from time to time) regarding authorisation under Volume 4 of the CBB Rulebook. It is applicable to all investment firm licensees (as well as to approved 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'). It 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. The Module also contains requirements under Regulation No (1) of 2007 pertaining to the CBB's regulated services issued under Article 39 of the CBB Law and 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). 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.



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

AU-A.1.12 For an explanation of the CBB's rule-making powers and different regulatory instruments, see Section UG-1.1.



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

## AU-A.2 Module History

### *Evolution of Module*

AU-A.2.1 This Module was first issued in April 2006, as part of the first phase of Volume 4 (Investment Business) to be released. Any material changes that have subsequently been made to this Module are annotated with the calendar quarter date in which the change was made: Chapter 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 4 was updated in July 2007 to reflect the switch to the CBB, as well as other policy changes. 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-A.1.3	07/2006	Deletion of reference to 'acting as a trust service provider'.
AU-1.1.13	07/2006	Deletion of reference to 'acting as a trust service provider'.
AU-1.1.14	07/2006	Clarification of scope of exemption.
AU-1.4.50	07/2006	Deletion of paragraph relating to 'acting as a trust service provider'.
AU-1.4.51	07/2006	Deletion of paragraph relating to 'acting as a trust service provider'.
AU-A.1	07/2007	Changes to reflect new CBB Law and reclassification of <u>administrators</u> as <u>ancillary services providers</u> (i.e. <u>licensees</u> , to be subject to Volume 5 of the CBB Rulebook).
AU-1.3	07/2007	Deletion of this Section to reflect reclassification of <u>administrators</u> as <u>ancillary services providers</u> (i.e. <u>licensees</u> , to be subject to Volume 5 of the CBB Rulebook).
AU-1.4	07/2007	Clarification of exemption in Rule AU-1.4.8; and minor change to definition of <u>collective investment undertaking</u> (to align with new Module CIU, Volume 6).
AU-4	07/2007	Chapter deleted to reflect reclassification of <u>administrators</u> as <u>ancillary services providers</u> (i.e. <u>licensees</u> , to be subject to Volume 5 of the CBB Rulebook).
AU-5.1	07/2007	Section amended to reflect new procedures reflecting CBB Law.
AU-5.3	07/2007	Deleted following reclassification of <u>administrators</u> as <u>ancillary services providers</u> (i.e. <u>licensees</u> , to be subject to Volume 5 of the CBB Rulebook).
AU-5.4	07/2007	Amended to reflect new CBB Law procedures.
AU-5.5	07/2007	Amended to reflect new CBB Law procedures.
AU-6	07/2007	New Chapter AU-6 on application and license fees (old material on fees, previously contained in Module GR, deleted).
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.



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

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

AU-A.2.3 (continued):

Module Ref.	Change Date	Description of Changes
AU-1.1.18	04/2008	Clarified that <u>Category 3 investment firms</u> must be independent.
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-5.5.5	04/2008	Outlined CBB's requirements in instances where a controlled function becomes vacant.
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 investment firm licensee
AU-5.2.6	07/2008	Added cross reference.
AU-1.1.18	10/2009	Clarified that Category 3 investment firms must refrain from receiving fees or commissions from parties other than clients.
AU-1.1.24	10/2009	Paragraph changed from Guidance to Rule.
AU-1.2	10/2009	Amended to reflect requirements of Modules HC and RM.
AU-1.2.2	10/2009	Controlled function of Deputy MLRO added.
AU-1.2.15	10/2009	New Rule added to clarify definition of Compliance Officer and MLRO/Deputy MLRO.
AU-1.4.11	10/2009	Clarified that dealing in financial instruments as principal includes underwriting and private placement.
AU-1.4.19	10/2009	Clarified that dealing in financial instruments as agent does not include execution of deals.
AU-2.3	10/2009	Updated to include CBB's requirements for controllers.
AU-5.1.5	10/2009	Clarified that copy of commercial registration certificate is required for existing Bahraini companies only.
AU-5.2	10/2009	Updated to include CBB's information requirements for the appointment of approved persons.
AU-B.1.3, AU-2.5.2 and AU-2.7.2	07/2010	Paragraphs deleted.
AU-B.2 and AU-5.5.5	07/2010	Amended heading.
AU-1.2.9 and AU-5.5.1	07/2010	Added cross reference.
AU-1.4.33 and AU-1.4.37	07/2010	Paragraphs changed from Guidance to Rules and amended to clarify definition of safeguarding financial instruments.
AU-1.4.42 and AU-1.4.43	07/2010	New rules added to clarify definition of advising on financial instruments.
AU-1.4.49, AU-1.4.50, AU-1.4.51 and AU-5.5.5	07/2010	Amended cross reference.
AU-1.2.9, AU-1.4.49, AU-1.4.50, AU-1.4.51, AU-2.3.5, AU-5.1.6, AU-5.1.12A, AU-5.1.12B, AU-5.1.12D and AU-6.1.1	07/2010	Paragraphs amended.
AU-5.1.5A	07/2010	Paragraphs amended and changed to Rule.
AU-5.1.12K	07/2010	Paragraph added to require confirmation that capital has been paid in before the final approval for a license.
AU-5.1.13	07/2010	Updated to include new requirement to be submitted within six months of the license being issued.
AU-6.2	07/2010	Updated to include CBB's annual license fee requirements.



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

AU-A.2.3 (continued):

Module Ref.	Change Date	Description of Changes
AU-A.1.11	01/2011	Clarified legal basis.
AU-1.1.2	01/2011	Clarified guidance.
AU-1.1.21, AU-1.1.22 and AU-1.2.1(f)	01/2011	Paragraphs deleted for consistency in CBB Rulebook.
AU-1.2	01/2011	Amended as requirements moved from Module HC to Module AU.
AU-1.4.25	01/2011	Amended guidance to reflect new definitions related to licensed exchange(s).
AU-5.1.13(j)	01/2011	Added language requirements for commercial registration certificate.
AU-5.1.5A	01/2011	Amended CBB's requirements concerning letters of guarantee to be submitted with licensing application.
AU-5.1.13	01/2011	Added requirement to submit copy of licensee's business card and any written communication including a statement that the investment firm is licensed by the CBB.
AU-5.5.3	01/2011	Clarified guidance.
AU-1.2.16	04/2011	Added a definition Paragraph for the compliance officer.
AU-5.1.5(m)	04/2011	Corrected typo and added clarification to requirements dealing with private placements.
AU-6.2.9A	04/2011	Added the requirement for annual fees for SPV's to be in line with the requirements of Resolution No (1) of 2007.
AU-A.1.9	10/2011	Guidance Paragraph amended as Volume 5_Representative Offices was issued in December 2010.
AU-A.1.11	10/2011	Legal basis updated to reflect all Articles of the CBB Law covered by this Module as well as applicable Resolutions.
AU-5.5	10/2011	Clarified language on cancellation of a license to be in line with other Volumes of the CBB Rulebook.
AU-1.1.14, AU-1.4.11A and AU-1.4.11B	01/2012	Guidance in AU-1.1.14 amended and changed to Rule and moved to AU-1.4.11A and additional guidance added as AU-1.4.11B.
AU-1.4.19 and AU-1.4.19A	01/2012	Clarified Rule AU-1.4.19 and added guidance for Category 3 investment firms.
AU-1.4.33	01/2012	Added reference to Volume 5 (Administrators) and amended Rule.
AU-2.2.2 and AU-2.2.3	01/2012	Restructured and amended guidance into two Paragraphs, including one guidance and one Rule.
AU-2.3.2	01/2012	Clarified application of Rule for Category 1 and 2 investment firm licensees.
AU-5.5.5	01/2012	Clarified Rule.
AU-6.2.9B	01/2012	Guidance added to clarify the non application of fees for SPVs established for the purpose of setting up a locally domiciled CIU.
AU-1.2.13, AU-1.2.13A and AU-1.2.13B	07/2012	Clarified Rule and added Paragraphs on investment consultant and investment adviser.





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

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

AU-A.2.3 (continued):

Module Ref.	Change Date	Description of Changes
AU-1.4.2 and AU-5.5.4A	10/2012	Corrected cross reference.
AU-1.1.25, AU-1.2.13, AU-1.4.11, AU-1.4.11A, AU-1.4.15, AU-1.4.17, AU-1.4.18, AU-1.4.28, AU-1.4.29, AU-1.4.41 and AU-1.4.45	10/2012	The term 'underwrite/underwriting' has now been defined and included in the Glossary under Part B of Volume 4.
AU-1.4.15	10/2012	Clarified Rule dealing with providing credit.
AU-1.4.52	10/2012	Reference updated to reflect the issuance of Volume 7 (CIU).
AU-A.1.11	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-1.1.24	04/2013	Added cross reference.
AU-6.2	07/2013	Amended due date and collection process for annual license fees.
AU-1.1.24, AU-1.1.24A and AU-1.1.24B	10/2014	Amended requirements to have a Shari'a Supervisory Board based on the category of investment firm licensee.
AU-1.4.11 and AU-1.4.11B	10/2014	Clarified the meaning of dealing in financial instruments as a principal and added cross reference to approval from CBB's Capital market Supervision Directorate as well as requirements under Module OFS of Volume 6 of the CBB Rulebook.
AU-5.1.7A	10/2014	Clarified that any PPM issued to raise capital must comply with module OFS and is subject to the CBB's Capital Market Supervision Directorate's prior approval.
AU-A.1.11	07/2015	Legal basis updated to reflect Resolution No (23) of 2015.
AU-3.2.1	07/2015	Added cross reference to Module TC.
AU-5.2	07/2015	Amended to be in line with Resolution No (23) of 2015 on Prior Approval Requirements for Approved Persons.
AU-5.5.5	07/2015	Clarified interim arrangements for replacement of approved person.
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-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 CBB Rulebook.
AU-1.1.18	10/2016	Added subparagraph (d).
AU-1.1.18A	10/2016	Changed 'not limited' to 'in relation'.
AU-1.1.18B	10/2016	Deleted subparagraph (f)
AU-5.2.3	10/2016	Added to Rule new subparagraph (e).
AU-5.6	07/2017	Added new Section on Publication of the Decision to Grant, Cancel or Amend a License
AU-1.2.2	04/2018	Amended Paragraph.



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

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

AU-A.2.3 (continued):

Module Ref.	Change Date	Description of Changes
AU-5.1.1	04/2018	Amended Paragraph.
AU-5.1.12E	04/2018	Amended Paragraph.
AU-5.2.2	04/2018	Amended Paragraph.
AU-1.4.41A	04/2019	Added a new Paragraph on digital financial advice.
AU-1.2.7	07/2019	Amended definition of a Director.
AU-1.4.33	07/2019	Amended Paragraph.
AU-5.1.1	07/2019	Amended Paragraph to remove references to hardcopy Form 1 submission to online submission.
AU-5.1.12H	10/2019	Changed from Rule to Guideline.
AU-5.1.12I	10/2019	Changed from Rule to Guideline.
AU-5.1.12J	10/2019	Changed from Rule to Guideline.
AU-5.6.1	10/2019	Changed from Rule to Guideline.
AU-1.1.13	07/2020	Added new sub-paragraph (ff).
AU-1.1.17	07/2020	Added new sub-paragraph (c).
AU-1.1.22A, AU-1.1.22B, AU-1.1.22C	07/2020	Added new Paragraphs on Arranging Credit and Advising on Credit suitability.
AU-1.4.43	07/2020	Deleted Paragraph.
AU-1.4.47A, AU-1.4.47B, AU-1.4.47C, AU-1.4.47D, AU-1.4.47E, AU-1.4.47F, AU-1.4.47G	07/2020	Added new Paragraphs on Arranging Credit and Advising on Credit definitions.
AU-1.1.13A	10/2020	Added a new Paragraph on compliance with AAOIFI Shari'a Standards.
AU-1.2.2	01/2021	Deleted Sub-paragraph (g).
AU-1.2.5	01/2021	Deleted Paragraph.
AU-2.2.3	01/2021	Amended Paragraph on approved persons occupying controlled functions.
AU-A.1.3	2021	Amended Paragraph.
AU-A.1.5	2021	Amended Paragraph.
AU-A.1.10	2021	Deleted Paragraph.
AU-B.1.2	2021	Amended Paragraph.
AU-1.1.6	2021	Amended Paragraph.
AU-1.1.8	2021	Amended Paragraph.
AU-1.1.13A	2021	Paragraph moved to AU-1.1.24.
AU-1.1.18C	2021	Added a new Paragraph on Category 4 Investment Firms.
AU-1.1.18D	2021	Added a new Paragraph on Category 4 Investment Firms.
AU-1.1.18E	2021	Added a new Paragraph on Category 4 Investment Firms.
AU-1.1.18F	2021	Added a new Paragraph on Category 4 Investment Firms.
AU-1.1.24	2021	Amended Paragraph.
AU-1.1.24B	2021	Amended Paragraph.
AU-1.4.48	2021	Amended Paragraph.
AU-5.4.1	2021	Amended Paragraph.



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

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

AU-A.2.3 (continued):

### ***Superseded Requirements***

AU-A.2.4 This Module supersedes the following provisions contained in circulars or other regulatory instruments:

Circular / other reference	Provision	Subject
Standard Conditions and Licensing Criteria: investment advisers/brokers	All articles	Scope of license and licensing conditions.
Standard Conditions and Licensing Criteria: broking company	All articles	Scope of license and licensing conditions.
Standard Conditions and Licensing Criteria: stockbrokerage	All articles	Scope of license and licensing conditions.
Circular BC/11/98, dated 27/7/98	All articles	Appointment and suitability of Directors and senior managers ('fit and proper').

AU-A.2.5 Further guidance on the implementation and transition to Volume 4 (Investment business) is given in Module ES (Executive Summary).



<b>MODULE</b>	<b>AU: Authorisation</b>
<b>CHAPTER</b>	<b>AU-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 seeking to provide a regulated investment service within or from the Kingdom of Bahrain must hold the appropriate CBB license (see AU-1.1);
- (ii) **Any person seeking to act as “controller” of the person who holds a CBB license;** and
- (iii) Natural persons wishing to perform a controlled function in an investment firm licensee also require prior CBB approval, as an approved person (see AU-1.2).

AU-B.1.3 [This Paragraph was deleted 07/2010.]



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

## **AU-B.2 Licensees and 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 or approved persons).

AU-B.2.2 Chapter AU-2 applies to investment firm 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 investment firm licensees seeking an approved person authorisation. Chapter AU-5 contains requirements applicable to licensees, with respect to the starting up of their operations, as well as to licensees and approved persons, with respect to the amendment or cancellation of their authorised status. Finally, Section AU-6.2 imposes annual fees on licensees.



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

## AU-1.1 Licensing

### AU-1.1.1

No person may:

- (a) Undertake (or hold themselves out to undertake) regulated investment 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-1.1.2

For the purposes of Rule AU-1.1.1(a), please refer to Section AU-1.4 for the definition of ‘regulated investment 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.

### AU-1.1.3

For the purposes of Rule AU-1.1.1(b), 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 (or the equivalents in any language) ‘adviser’, ‘consultant’, or ‘manager’ in combination with “investment”, or ‘portfolio’, without holding the appropriate CBB license or the prior approval of the CBB.

### AU-1.1.3A

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-1.1.3B

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-10.2A).

### AU-1.1.4

Where a person is licensed under Volumes 1 or 2, i.e. as a bank, then a separate license under Volume 4 is not required in order to undertake activities of the kind specified under Section AU-1.4.



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

## AU-1.1 Licensing (continued)

AU-1.1.5 Persons licensed as banks by the CBB may also undertake the specific activities covered by the definition of regulated investment services (such as trading in financial instruments as principal), since these specific activities also form part of the definition of regulated banking services (or regulated Islamic banking services in the case of Islamic banks). In such cases, banks are not required to hold a separate investment firm license.

AU-1.1.6 Depending on the type of regulated investment services that a person wishes to undertake, applicants must seek to be licensed either as a Category 1, a Category 2, a Category 3 or a Category 4 investment firm.

AU-1.1.7 Persons wishing to be licensed to undertake regulated investment services within or from the Kingdom of Bahrain must apply in writing to the CBB.

AU-1.1.8 An application for a license must be in the form prescribed by the CBB and must contain, inter alia:

- A business plan specifying the type of business to be conducted;
- Application for authorisation of all controllers; and
- Application for authorisation of all controlled functions.

AU-1.1.9 The CBB will review the application and duly advise the applicant in writing when it has:

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

AU-1.1.10 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, 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-1.1.11 All applicants seeking an investment firm 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, investment firm licensees must maintain these criteria on an on-going basis.



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## AU-1.1 Licensing (continued)

### *Investment Firm License Categories*

**AU-1.1.12** For the purposes of Volume 4 (Investment Business), regulated investment services may be undertaken under three categories of investment firms as follows:

#### *Category 1*

**AU-1.1.13** For the purposes of Volume 4 (Investment Business), Category 1 investment firms may undertake (subject to Rule AU-1.1.19) any regulated investment service, as listed below:

- (a) Dealing in financial instruments as principal;
- (b) Dealing in financial instruments as agent;
- (c) Arranging deals in financial instruments;
- (d) Managing financial instruments;
- (e) Safeguarding financial instruments (i.e. a custodian);
- (f) Advising on financial instruments;
- (ff) Arranging Credit and Advising on Credit; and
- (g) Operating a collective investment undertaking (i.e. an operator).

**AU-1.1.13A** [This Paragraph has been moved to AU-1.1.24].

AU-1.1.14 [This Paragraph was moved and amended to Paragraph AU-1.4.11A in January 2012].

#### *Category 2*

**AU-1.1.15** For the purposes of Volume 4 (Investment Business), Category 2 investment firms may undertake (subject to Rule AU-1.1.19) any regulated investment service (as listed in Rule AU-1.1.13), *except* that of 'dealing in financial instruments as principal'.

AU-1.1.16 A Category 2 investment firm cannot, therefore, trade in financial instruments for its own account ('dealing in financial instruments as principal'), but it may conduct all other types of regulated investment services, including holding client assets.





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

## AU-1.1 Licensing (continued)

### *Category 3*

**AU-1.1.17** For the purposes of Volume 4 (Investment Business), Category 3 investment firms may undertake (subject to Rules AU-1.1.18 and AU-1.1.19) the following regulated investment services only:

- (a) Arranging deals in financial instruments;
- (b) Advising on financial instruments; and
- (c) Arranging Credit and Advising on Credit.

**AU-1.1.18** When undertaking either of the regulated investment services listed under Rule AU-1.1.17, Category 3 investment firms:

- (a) Must be independent;
- (b) May not hold any client assets;
- (c) Must refrain from receiving any fees or commissions from any party other than the client; and
- (d) Must not have an ‘agency’ relationship (tied agent) with an investment provider.

AU-1.1.18A In assessing the independence of a Category 3 investment firm, the CBB will take into account the regulated investment services offered in relation to financial instruments of a related party.

AU-1.1.18B For the purpose of Paragraph AU-1.1.18A, a related party of a Category 3 investment firm includes:

- (a) A controller of the Category 3 investment firm as defined in Module GR;
- (b) A close link of the Category 3 investment firm as defined in Module GR;
- (c) An associate of a controller as defined in Module GR;
- (d) The extended family of a controller including a father, mother, father-in-law, mother-in-law, brother, sister, brother-in-law, sister-in-law, or grandparent;
- (e) A corporate entity, whether or not licensed or incorporated in Bahrain, where any of the persons identified in Sub-Paragraphs (c) and (d) is a Director or would be considered a controller were the definition of controller set out in Paragraph GR-5.2.1 applied to that corporate entity; and
- (f) (This Subparagraph has been deleted).

### *Category 4*

**AU-1.1.18C** For the purposes of Volume 4 (Investment Business), category 4 investment firms are permitted to provide the following regulated investment services to accredited investors:

- a) Operating a collective investment undertaking (CIU); and
- b) In respect of venture capital CIUs that the category 4 investment firm operates/manages, act as custodian (i.e. safeguarding financial instruments).



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## AU-1.1 Licensing (continued)

AU-1.1.18D While category 1 investment firms and category 2 investment firms can operate/manage all types of CIUs, targeting retail clients, expert investors and accredited investors, category 4 investment firm license caters to the business models of specialist fund managers who operate/manage CIUs targeted at accredited investors only. Examples of such CIUs are private equity funds, hedge funds, structured funds, real estate funds, venture capital funds and other alternative investment funds. An operator of CIUs who markets or manages a CIU targeted at retail clients or expert investors would not be eligible to obtain a category 4 investment firm license. Category 4 investment firms also act as placement agents of overseas domiciled CIUs they operate/manage.

AU-1.1.18E Category 4 investment firms must appoint independent custodians to safeguard client assets. However, in accordance with Sub-paragraph AU-1.1.18C(b), category 4 investment firms may be authorised by the CBB to act as custodians of the venture capital CIUs they operate/manage provided they meet the requirements stipulated in Section C4-3.3 of the CBB Rulebook, Volume 4 regarding the safeguarding of client assets and client money. This entails that category 4 investment firms can safeguard the illiquid assets of the venture capital CIUs, but client money must be kept in a client bank account.

AU-1.1.18F Category 4 investment firms are only subject to Sections AU-1.1, AU-1.4, AU-1.5 and the provisions of Modules PB, C4, FC and EN. Category 4 investment firms must also comply with CBB Rulebook Volume 7 requirements for authorisation/registration/filing of CIUs to be offered to accredited investors.

### *Combining Regulated Investment Services*

AU-1.1.19 Investment firm licensees may combine two or more regulated investment services, providing these fall within the permitted list of services for their investment firm Category, and such combinations are not restricted by Module BC (Business Conduct).

AU-1.1.20 Module BC (Business Conduct) may restrict licensees from undertaking certain combinations of activities, where such combinations potentially create conflicts of interest that could compromise the interests of customers. See Chapter BC-2.



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## AU-1.1 Licensing (continued)

### *Suitability*

**AU-1.1.21** [This Paragraph was deleted in January 2011].

AU-1.1.22 [This Paragraph was deleted in January 2011].

**AU-1.1.22A** As per Article 48 of the CBB Law, investment firm licensees must seek CBB's prior written approval before undertaking new regulated investment services.

**AU-1.1.22B** Investment firm licensees wishing to undertake the activity of Arranging Credit and Advising on Credit must satisfy the CBB that they have sufficient expertise to undertake this activity and must obtain the CBB's prior written approval for undertaking the same.

**AU-1.1.22C** For purposes of Paragraph AU-1.1.22B, investment firm licensees must ensure that the officer responsible for dealing with the customers for Arranging Credit and Advising on Credit is competent and has demonstrated his competence through appropriate qualifications and experience to carry out such function.



MODULE	AU: Authorisation
CHAPTER	AU-1: Authorisation Requirements

## AU-1.1 Licensing (continued)

### *Conventional and Islamic Investment Firms*

- AU-1.1.23** Investment firm licensees may deal in both conventional and Islamic financial instruments. Only those investment firm licensees whose operations are fully Shari'a compliant, however, may hold themselves out to be an Islamic investment firm.
- AU-1.1.24** Where licensees are undertaking regulated activities in accordance with Shari'a, all transactions and contracts concluded by investment firm licensees must comply with Shari'a standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI). The validity of the contract or transaction is not impacted, if at a later date, the relevant AAOIFI Shari'a standard are amended.
- AU-1.1.24A** In accordance with Paragraph HC-9.2.1, Category 1 and 2 Islamic investment firms must maintain a Shari'a Supervisory Board, comprised of at least 3 Shari'a board members, to verify that their operations are Shari'a compliant.
- AU-1.1.24B** Category 3 and Category 4 Islamic investment firms must appoint a minimum of one Shari'a advisor or scholar to verify that their operations are Shari'a compliant.
- AU-1.1.25** Investment firm licensees (whether conventional or Islamic) may not accept Shari'a money placements or deposits. They may not enter into Shari'a financing contracts (except where it is an incidental part of assisting a client to buy, sell, subscribe for or underwrite a financial instrument). Finally, they may not offer Shari'a Profit Sharing Investment Accounts (whether restricted or unrestricted).
- AU-1.1.26 Shari'a money placements or deposits include money taken under *q'ard* or *al-wadia* contracts. Shari'a financing contracts include contracts such as *murabaha*, *bay muajjal*, *bay islam*, *ijara wa iktina* and *istisna'a*. Profit sharing investment accounts include those accounts undertaken under *mudaraba* and *musharaka* contracts.
- AU-1.1.27 The transactions prohibited under Rule AU-1.1.25 may only be undertaken by bank licensees.



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## AU-1.4 Definition of Regulated Investment Services

**AU-1.4.1** For the purposes of Volume 4 (Investment Business), regulated investment services are any of the activities listed under Paragraph AU-1.1.13, as further defined in this Section, carried on by way of business.

**AU-1.4.2** For the purposes of Volume 4 (Investment Business), carrying on a regulated investment service by way of business means:

- (a) Undertaking one or more of the activities listed under Paragraph AU-1.1.13 on a professional basis and 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-1.4.3** A person does not carry on an activity constituting a regulated investment service if the activity:

- (a) Is carried on in the course of a business which does not ordinarily constitute the carrying on of a regulated activity;
- (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-1.4.4** A person does not carry on an activity constituting a regulated investment service if the person is a body corporate and carries on that activity solely with or for other bodies corporate that are members of the same group.

**AU-1.4.5** A person does not carry on an activity constituting a regulated investment service if such person carries on an activity with or for another person, and they are both members of the same family.

**AU-1.4.6** A person does not carry on an activity constituting a regulated investment service if the sole or main purpose for which the person enters into the transaction is to limit any identifiable risks arising in the conduct of his business, providing the business conducted does not itself constitute a regulated activity.

AU-1.4.7 For example, an industrial company entering into an interest rate swap to switch floating-rate borrowings for fixed rate borrowings, in order to manage interest rate risk, would not be considered to be dealing in financial instruments as principal, and would not therefore be required to be licensed as an investment firm.



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#### AU-1.4 Definition of Regulated Investment Services (continued)

**AU-1.4.8** A person does not carry on an activity constituting a regulated investment service if that person enters into that transaction solely as a nominee for another person, and acts under instruction from that other person; or is an employee or Director of a person who is an investment firm licensee.

**AU-1.4.9** A person does not carry on an activity constituting a regulated investment service if that person is a government body charged with the management of financial instruments on behalf of a government or public body.

**AU-1.4.10** A person does not carry on an activity constituting a regulated investment service if that person is an exempt person, as specified by Royal decree.

##### *Dealing in Financial Instruments as Principal*

**AU-1.4.11** Dealing in financial instruments as principal means buying, selling, subscribing for or underwriting any financial instrument on own account, including underwriting transactions.

**AU-1.4.11A** Only Category 1 investment firms are permitted to underwrite the issuance of financial instruments. However, the CBB will only permit such activity if the licensee has the financial ability to absorb the size of the commitment.

AU-1.4.11B In assessing the financial ability of a licensee, the CBB will consider, amongst other factors, the licensee's capital adequacy, its capacity to undertake the activity, and its track record in complying with applicable regulatory requirements. Any underwriting activities require the prior approval of the CBB's Capital Market Supervision Directorate and are subject to Module OFS (Offering of Securities) of Volume 6 of the CBB Rulebook.

**AU-1.4.12** A person carries on an activity specified in Rule AU-1.4.11 only if he is a market maker or deals on own account on an organised, frequent and systematic basis by providing a system accessible to third parties in order to engage in dealings with them.

AU-1.4.13 A licensee that carries on an activity of the kind specified by Rule AU-1.4.11 is authorised to act as a market maker and has the ability to deal in financial instruments on terms determined by it. Such a licensee undertakes such an activity using its own financial resources but may also control client assets or liabilities in the course of its designated investment business.



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## AU-1.4 Definition of Regulated Investment Services (continued)

**AU-1.4.14** A person does not carry on an activity specified in Rule AU-1.4.11 if the activity relates to the person issuing his own shares/debentures, warrants or bonds.

**AU-1.4.15** The activity specified in Rule AU-1.4.11 may also include providing credit, where it is an incidental part of buying, selling, subscribing for or underwriting financial instruments. However, the amount provided as credit must be paid out of the investment firm licensee's capital and not out of clients' assets.

AU-1.4.16 Examples of the type of 'incidental' credit activity provided for under Rule AU-1.4.15 include the provision of margin facilities on trading accounts or credit elements intrinsic to a structured or leveraged financial product.

### *Dealing in Financial Instruments as Agent*

**AU-1.4.17** Dealing in financial instruments as agent means buying, selling, subscribing for or underwriting financial instruments on behalf of a client.

AU-1.4.18 A licensee that carries on an activity of the kind specified by Rule AU-1.4.17 is not a market maker, does not have the ability to deal in financial instruments on terms determined by it and does not use its own financial resources for the purpose of buying, selling, subscribing for or underwriting financial instruments. Such a licensee may however receive or hold client assets in connection with a client transaction, in its capacity as agent.

### *Arranging Deals in Financial Instruments*

**AU-1.4.19** Arranging deals in financial instruments means making arrangements on behalf of another person, whether as principal or agent, buying, selling or subscribing for deals in financial instruments. This activity does not include the execution of a deal for which the arrangement has been made.

AU-1.4.19A For Category 3 Investment Firms, the activity of arranging the deals is limited to handling the administration arrangements only.

**AU-1.4.20** A person does not carry on an activity specified in Rule AU-1.4.19 if the arrangement does not bring about the transaction to which the arrangement relates.

**AU-1.4.21** A person does not carry on an activity specified in Rule AU-1.4.19 if a person's activities are limited solely to introducing clients to licensees.



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## AU-1.4 Definition of Regulated Investment Services (continued)

AU-1.4.22 The exclusion in Rule AU-1.4.21 does not apply if the agent receives from any person, other than the client, any pecuniary reward or other advantage, for which he does not account to the client, arising out of his entering into the transaction. Thus, if A receives a commission from B for arranging credit or deals in investment for C, the exclusion in Rule AU-1.4.21 does not apply.

**AU-1.4.23** A person does not carry on an activity specified in Rule AU-1.4.19 merely by providing the means of communication between two parties to a transaction.

**AU-1.4.24** A person does not carry on an activity specified in Rule AU-1.4.19 if they operate an exchange, duly recognised and authorised by the CBB.

AU-1.4.25 The BFX, as a licensed exchange, is not therefore classed as an investment firm licensee subject to Volume 4 (Investment Business). It is subject to separate rules issued by the CBB (see Volume 6 of the CBB Rulebook).

AU-1.4.26 Negotiating terms for an investment on behalf of a client is an example of an activity which may be regarded as activities of the kind specified in Rule AU-1.4.19.

AU-1.4.27 The following are examples of activities which, when taken in isolation, are unlikely to be regarded as an activity of the kind specified in Rule AU-1.4.19:

- (a) Appointing professional advisers;
- (b) Preparing a prospectus/business plan;
- (c) Identifying potential sources of funding;
- (d) Assisting investors/subscribers/borrowers to complete and submit application forms; or
- (e) Receiving application forms for processing/checking and/or onward transmission.

**AU-1.4.28** The activity specified in Rule AU-1.4.19 may also include arranging credit, where it is an incidental part of assisting a client to buy, sell, subscribe for or underwrite any financial instrument.

AU-1.4.29 Under Rule AU-1.4.28, arranging credit is an activity specified in Rule AU-1.4.19, only where it forms part of other arrangements to assist a client to buy, sell, subscribe for or underwrite a financial instrument. The activity of solely arranging credit is not a regulated activity for the purposes of Rule AU-1.4.19.

### *Managing Financial Instruments*

**AU-1.4.30** Managing financial instruments means managing on a discretionary basis financial instruments on behalf of another person.

AU-1.4.31 Activities involving initiating and carrying out investment transactions on behalf of a client on a discretionary basis are included under the definition of Rule AU-1.4.30.





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

#### AU-1.4 Definition of Regulated Investment Services (continued)

##### *Safeguarding Financial Instruments (i.e. Custodian)*

**AU-1.4.32** Safeguarding financial instruments means the safeguarding of financial instruments for the account of clients.

**AU-1.4.33** A person undertaking an activity of the kind specified under Rule AU-1.4.32 may also be engaged in the administration of financial instruments, as defined in CBB Rulebook Volume 5 Module AU (Administrators) Paragraphs AU-1.1.11 and AU-1.1.12, including related services such as cash/collateral management, given that strict adherence to segregation of duties is observed.

**AU-1.4.34** A person undertaking an activity of the kind specified under Rule AU-1.4.32 cannot execute negotiable instruments such as cheques on behalf of a client.

**AU-1.4.35** A person does not carry on an activity specified in Rule AU-1.4.32 if the person receives documents relating to a financial instrument for the purpose of onward transmission to, from or at the direction of the person to whom the financial instrument belongs; or else is simply providing a physical safekeeping service such as a deed box.

**AU-1.4.36** A person does not carry on an activity specified in Rule AU-1.4.32 if a third person, namely a qualifying custodian, accepts responsibility with regard to the financial instrument.

**AU-1.4.37** A 'qualifying custodian' is a licensee who has permission to carry on an activity of the kind specified in Rule AU-1.4.32.

**AU-1.4.38** A person does not carry on an activity specified in Rule AU-1.4.32 if they are managing a central depository, which is part of an exchange recognised by the CBB.

AU-1.4.39 The following are examples of activities which, when taken in isolation, are unlikely to be regarded as an activity of the kind specified under Rule AU-1.4.32:

- (a) Providing information as to the number of units or the value of any assets safeguarded; and
- (b) Converting currency.

AU-1.4.40 [This Paragraph deleted 07/2007.]



MODULE	AU: Authorisation
CHAPTER	AU-1: Authorisation Requirements

## AU-1.4 Definition of Regulated Investment Services (continued)

### *Advising on Financial Instruments*

#### AU-1.4.41

Advising on financial instruments means giving advice to an investor or potential investor (or a person in his capacity as an agent for an investor or potential investor) on the merits of buying, selling, subscribing for or underwriting a particular financial instrument or exercising any right conferred by such a financial instrument.

#### AU-1.4.41A

For the purpose of Rule AU-1.4.41, advising on financial instruments includes giving digital financial advice also known as ‘robo-advice’ or ‘automated advice’ using a computer program and algorithm to generate the advice.

#### AU-1.4.42

The activity defined in Rule AU-1.4.41 above does not include advising on mergers and acquisitions, unless otherwise agreed with the CBB on a case by case basis.

#### AU-1.4.43

[This Paragraph was deleted in July 2020].

#### AU-1.4.44

The following are examples of activities, which may be regarded as an activity as defined by Rule AU-1.4.41:

- (a) A person may offer to tell a client when shares reach a certain value on the basis that when the price reaches that value it would be a good time to buy or sell them;
- (b) Recommendation on the size or timing of transactions; and
- (c) Advice on the suitability of the financial instrument, or on the characteristics or performance of the financial instrument or credit facility concerned.

#### AU-1.4.45

A person does not carry on an activity specified in Rule AU-1.4.41 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 Rule AU-1.4.41; nor
- (b) That of leading or enabling persons to buy, sell, subscribe for or underwrite a financial instrument.



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

## AU-1.4 Definition of Regulated Investment Services (continued)

AU-1.4.46 The following are examples of activities which, when taken in isolation, are unlikely to be regarded as an activity as defined by Rule AU-1.4.41:

- (a) Explaining the structure or the terms and conditions of a financial instrument or credit facility;
- (b) Valuing financial instruments for which there is no ready market;
- (c) Circulating company news or announcements;
- (d) Comparing the benefits and risks of one financial instrument to another; and
- (e) Advising on the likely meaning of uncertain provisions in an agreement relating to, or the terms of, a financial instrument or on the effect of contractual terms and their commercial consequences or on terms that are commonly accepted in the market.

**AU-1.4.47** A person undertaking an activity of the kind specified under Rule AU-1.4.41 cannot accept or hold client assets or execute negotiable instruments such as cheques on behalf of a client.

### *Arranging Credit and Advising on Credit*

**AU-1.4.47A** Arranging Credit means making arrangements for a borrower, to enter into a credit facility with a credit provider.

**AU-1.4.47B** An investment firm licensee may only arrange for, or advise on credit facilities with a credit provider licensed to provide such facilities.

AU-1.4.47C Activities that constitute Arranging Credit includes:

- (a) Introducing potential borrowers to a credit provider (refer to Rule AU-1.4.47B);
- (b) Providing the required assistance to potential borrowers to obtain credit, such as the completion of application forms and other processes relevant to such transactions;
- (c) Negotiating terms of credit, including fees and charges;
- (d) Arranging for collaterals or other types of assurances required to be provided by the potential borrower to obtain credit; and
- (e) Arranging for corporate structuring and financing such as the acquisition, disposal, structuring, restructuring, financing or refinancing of a legal entity.

**AU-1.4.47D** Advising on Credit means giving advice to a borrower, a potential borrower, or a person in his capacity as an agent of a borrower or a potential borrower, on the merits of entering into a particular credit facility.



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#### AU-1.4 Definition of Regulated Investment Services (continued)

**AU-1.4.47E** For the purposes of Paragraphs AU-1.4.47A to AU-1.4.47D, a borrower is:

- (a) A natural person who is an accredited investor; or
- (b) A legal person who is an accredited investor or expert investor, and the credit facility in question is provided for use in the business activities of:
  - (i) the legal person;
  - (ii) a controller of the legal person;
  - (iii) any member of the group to which the legal person belongs; or
  - (iv) a joint venture of a legal person referred to in (i) – (iii).

**AU-1.4.47F** For purposes of Subparagraph AU-1.4.47E (a), investment firm licensees are prohibited from dealing with retail clients and/or expert investors.

AU-1.4.47G Investment firm licensees are encouraged to consider and give priority to CBB licensed credit providers when arranging for, or advising on credit facilities.

#### *Operating a Collective Investment Undertaking (i.e. operator)*

**AU-1.4.48** Operating a collective investment undertaking ('CIU') means operating, **managing**, establishing or winding up a collective investment undertaking.

**AU-1.4.49** For the purposes of Rule AU-1.4.48, a collective investment undertaking is an undertaking the sole object of which is the collective investment of capital raised from the public in financial instruments or other assets and which operates on the basis of risk-spreading; and the holdings of which are re-purchased or redeemed, directly or indirectly, out of those undertakings' assets.

AU-1.4.50 A person does not carry on an activity specified in Rule AU-1.4.48 if the activity relates to the person establishing or winding up a collective investment undertaking, and that activity may be reasonably regarded as a necessary in the course of providing legal services or providing accounting services.

AU-1.4.51 In the case of CIUs whose holdings are listed and traded on a stock exchange (such as a closed-ended fund), actions taken by the CIU to align the stock exchange value of its holdings and its net asset value is taken as equivalent to the repurchase or redemption specified in Rule AU-1.4.49. The definition in Rule AU-1.4.49 thus recognises both open-ended funds and closed-ended funds: unit trusts, investment trusts, mutual funds, SICAV and collective investment schemes are all examples of CIUs. CIUs may also be constituted under contract law (as common funds managed by management companies); trust law (as unit trusts); or under statute (as investment companies).



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

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

AU-1.4.52 See Volume 7 (CIU) of the CBB Rulebook, for the rules that apply to CIUs domiciled in Bahrain or domiciled in an overseas jurisdiction and offered to investors resident in Bahrain. These rules also contain requirements that apply to the operators of such CIUs.

AU-1.4.53 [Paragraph deleted 07/2006.]

AU-1.4.54 [Paragraph deleted 07/2006.]



MODULE	AU: Authorisation
CHAPTER	AU-5: Information Requirements and Processes

## AU-5.4 Amendment of Authorisation

### *Licenses*

#### AU-5.4.1

Investment firm licensees wishing to vary the scope of their license must obtain the CBB's written approval, before effecting any such change. Approval must be sought whenever a licensee wishes to add or cease undertaking a regulated investment service, **change license category**, 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 investment firm licensee requesting CBB approval to undertake a new regulated investment service 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; and
- (c) An analysis of the financial impact of the 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

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

#### 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-5.5.5), and the new licensee should submit a request for approval under Rule AU-1.2.1.