



# **ADMINISTRATORS AUTHORISATION MODULE**



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

## AU-A.1 Purpose

### *Executive Summary*

- AU-A.1.1 The Authorisation Module sets out the CBB's approach to licensing providers of regulated administration 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 Licensed providers of regulated administration services are called fund administrators and registrars.
- AU-A.1.3 Regulated administration services are defined in Paragraphs AU-1.1.11 and AU-1.1.12.
- AU-A.1.4 Persons undertaking certain functions in relation to 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 licensees are fit and proper. Those authorised by the CBB to undertake controlled functions are called approved persons.

### *Retaining Authorised Status*

- AU-A.1.5** 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.

### *Legal Basis*

- AU-A.1.6** This Module contains the Central Bank of Bahrain ('CBB') Directive, Regulations and Resolutions (as amended from time to time) regarding authorisation under Volume 5 of the CBB Rulebook. It is applicable to all 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'). CBB-licensed fund administrators and registrars must also comply with Resolution No. 1 of the year 2007 'new license fees system' (as amended from time to time). The Module also 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).



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

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

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



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

## AU-A.2 Module History

### *Evolution of Module*

AU-A.2.1 This Module was first issued in May 2011. 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 A list of recent changes made to this Module is provided below:

Module Ref.	Change Date	Description of Changes
AU-A.1.6	04/2012	Legal basis updated to reflect all Articles of the CBB Law covered by this Module as well as applicable Resolutions.
AU-1.1.4 and AU-1.1.5	04/2012	Clarified licensing requirements for those licensees already licensed under another Volume of the CBB Rulebook.
AU-4.3	04/2012	Clarified language on cancellation of a license to be in line with other Volumes of the CBB Rulebook.
AU-A.1.6	01/2013	Updated legal basis.
AU-1.1	01/2013	References added to requirements under Resolution No.(16) for the year 2012.
AU-1.2.3	01/2013	Clarified approval requirements for controlled functions for Bahrain operations.
AU-4.3.4A	01/2013	Corrected cross reference to CBB Law.
AU-5.2	07/2013	Amended due date and collection process for annual license fee.
AU-A.1.6	07/2015	Legal basis updated to reflect Resolution No (23) of 2015.
AU-4.2	07/2015	Amended to be in line with Resolution No (23) of 2015 on Prior Approval Requirements for Approved Persons.
AU-4.3.5	07/2015	Clarified interim arrangements for replacement of approved persons.
AU-1.2	01/2016	Clarified general requirements for approved persons.
AU-2.4.4	01/2016	Paragraph deleted as it is not applicable for this Module.
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	01/2016	Minor amendments to be aligned with other Volumes of the Rulebook.
AU-4.4	07/2017	Added new Section on Publication of the Decision to Grant, Cancel or Amend a License.
AU-4.1.1	04/2018	Amended Paragraph.
AU-4.1.17	04/2018	Amended Paragraph.
AU-4.2.2	04/2018	Amended Paragraph.



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

## AU-B.1 Scope of Application

### AU-B.1.1

The content of this Module applies to all administrators licensees authorised in the Kingdom of Bahrain, thereafter referred to in this Module as licensees.

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

- (i) Any person seeking to provide a regulated administration service within or from the Kingdom of Bahrain must hold the appropriate CBB license (see AU-1.1); and
- (ii) Natural persons wishing to perform a controlled function in administrators licensee also require prior CBB approval, as an approved person (see AU-1.2).



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

## AU-B.2 Authorised Persons

AU-B.2.1 Various requirements in Chapters AU-2 to AU-3 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 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 licensees seeking an approved person authorisation. Chapter AU-4 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-5.2 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 administration services (as defined under Paragraph AU-1.1.11), 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 Paragraphs AU-1.1.11 and AU-1.1.12 for the definition of 'regulated administration services' and Paragraph AU-1.1.13 for the definition of '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-1.1.3 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) 'fund administration', 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-9.3).





MODULE	AU: Authorisation
CHAPTER	AU-1: Authorisation Requirements

## AU-1.1 Licensing (continued)

### AU-1.1.4

Where a person is licensed under Volumes 1 or 2, i.e. as a bank, or under Volume 4 as a Category 1 or Category 2 investment firm licensee, then a separate license under Volume 5 is not required in order to undertake activities of the kind specified under Paragraph AU-1.1.11, subject to the licensee meeting all the requirements of Volumes 1, 2 or 4.

### AU-1.1.5

Persons licensed by the CBB may also undertake the specific activities covered by the definition of regulated administration services, 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) or regulated investment services. In such cases, licensees are not required to hold a separate administrators license.

### AU-1.1.6

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

### AU-1.1.7

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; and
- (c) Application forms for all controlled functions.



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

## AU-1.1 Licensing (continued)

AU-1.1.8 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-1.1.9 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-1.1.10

All applicants seeking an administrator 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, fund administration licensees must maintain these criteria on an on-going basis.

### AU-1.1.11

For the purposes of Volume 5 (Specialised Licensees), regulated administration services, in relation to financial instruments administered by the fund administrator, include:

- (a) Fund management accounting services;
- (b) Client enquiries;
- (c) Valuation and pricing (including tax returns);
- (d) Regulatory compliance monitoring;
- (e) Maintenance of unit-holder/fund instruments register;
- (f) Distribution of income;
- (g) Unit issues and redemption of units in CIU and other financial instruments;
- (h) Contracts settlements (including certificate dispatch); and
- (i) General record-keeping.



MODULE	AU: Authorisation
CHAPTER	AU-1: Authorisation Requirements

## AU-1.1 Licensing (continued)

### AU-1.1.12

For the purposes of Volume 5 (Specialised Licensees), regulated administration services, in relation to a registrar, include:

- (a) Client enquiries;
- (b) Maintenance of unit-holder/fund instruments register;
- (c) Distribution of income;
- (d) Certificate dispatch; and
- (e) General record-keeping

### AU-1.1.13

For the purposes of Volume 5 (Specialised Licensees), carrying on a regulated administration services by way of business means:

- (a) Undertaking one or more of the activities specified in Paragraphs AU-1.1.11 and AU-1.1.12 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.



MODULE	AU: Authorisation
CHAPTER	AU-1: Authorisation Requirements

## AU-1.2 Approved Persons

### *General Requirement*

#### AU-1.2.1

Licensees must obtain the CBB's prior written approval for any persons wishing to undertake a controlled function in a 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;
- (b) Chief Executive or General Manager;
- (c) Head of function;
- (d) Compliance officer;
- (e) Money Laundering Reporting Officer (MLRO); and
- (f) Deputy Money Laundering Reporting Officer (if any).

#### AU-1.2.3

Combination of the above controlled functions is subject to the CBB's approval. Controlled functions (b) to (f) are in relation to Bahrain operations.

### *Basis for Approval*

#### AU-1.2.4

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.



MODULE	AU: Authorisation
CHAPTER	AU-1: Authorisation Requirements

## AU-1.2 Approved Persons (continued)

### *Definitions*

**AU-1.2.5** 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-1.2.6 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-1.2.5. 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-1.2.5.

**AU-1.2.7** 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.

**AU-1.2.8** 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-1.2.9 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 Compliance or Internal Audit; or the Chief Financial Officer.

**AU-1.2.10** 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-1.2.11** The controlled functions of Money Laundering Reporting Officer/Deputy Money Laundering Reporting Officer are defined under Chapter FC-4.



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

## AU-2.1 Condition 1: Legal Status

### AU-2.1.1

The legal status of a licensee must be:

- (i) A Bahraini joint stock company (B.S.C.); or
- (ii) A Bahraini Company with Limited Liability (W.L.L.)



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

## AU-2.2 Condition 2: Mind and Management

### AU-2.2.1

Licensees with their Registered Office in the Kingdom of Bahrain must maintain their Head Office in the Kingdom and must conduct their business from their Head Office.

### AU-2.2.2

In assessing the location of a 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 - to be resident in Bahrain.



MODULE	AU: Authorisation
CHAPTER	AU-2: Licensing Conditions

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

#### AU-2.3.1

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





MODULE	AU: Authorisation
CHAPTER	AU-2: Licensing Conditions

## AU-2.4 Condition 4: Board and Employees

**AU-2.4.1** In accordance with Article 65(a) of the CBB law, those nominated to carry out controlled functions must satisfy CBB's approved person's requirements.

AU-2.4.2 The definition of controlled functions is contained in Paragraph AU-1.2.2, whilst Chapter AU-3 sets out CBB's approved persons requirements. Applications for approved person status must be submitted using the prescribed approved persons form.

**AU-2.4.3** The 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. Licensees must ensure their employees meet any training and competency requirements specified by the CBB.

AU-2.4.4 [This Paragraph was deleted in January 2016.]



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

## AU-2.5 Condition 5: Financial Resources

### AU-2.5.1

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 exceed at all times the minimum requirements contained in Module CA (Capital Adequacy).



MODULE	AU: Authorisation
CHAPTER	AU-2: Licensing Conditions

## AU-2.6 Condition 6: Systems and Controls

**AU-2.6.1** Licensees must maintain systems and controls that are, in the opinion of the CBB, adequate for the scale and complexity of their activities.

**AU-2.6.2** Licensees must maintain adequate segregation of responsibilities in their staffing arrangements, to protect against the misuse of systems or errors. Such segregation should ensure that no single individual has control over all stages of a transaction.

**AU-2.6.3** 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 (Financial Crime), as specified for the license held.

**AU-2.6.4** As part of the licensing approval process, applicants must 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 also be asked to provide an independent assessment of the appropriateness of their systems and controls to the CBB.



MODULE	AU: Authorisation
CHAPTER	AU-2: Licensing Conditions

## AU-2.7 Condition 7: External Auditor

### AU-2.7.1

Licensees must appoint an external auditor, subject to prior CBB approval. The minimum requirements regarding external auditors contained in Module AA (Auditors and Accounting Standards) must be met.



MODULE	AU: Authorisation
CHAPTER	AU-2: Licensing Conditions

## AU-2.8 Condition 8: Other Requirements

### *Books and Records*

**AU-2.8.1** Licensees must 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. Licensees must comply with the minimum record-keeping requirements contained in Module GR. Books of accounts must comply with IFRS standards.

### *Provision of Information*

**AU-2.8.2** Licensees must act in an open and cooperative manner with the CBB. Licensees must meet the regulatory reporting and public disclosure requirements contained in Modules BR and PD respectively.

### *General Conduct*

**AU-2.8.3** Licensees must conduct their activities in a professional and orderly manner, in keeping with good market practice standards. 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 Fees*

**AU-2.8.4** Licensees must comply with any license fee requirements applied by the CBB.

AU-2.8.5 License fee requirements are contained in Chapter AU-5.

### *Additional Conditions*

**AU-2.8.6** 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 administration services that the licensee may undertake. Licensees must respect the scope of their license.

AU-2.8.8 In addition, the CBB may vary existing requirements or impose additional restrictions or requirements, beyond those already specified in Volume 5, to address specific risks.



MODULE	AU: Authorisation
CHAPTER	AU-3: Approved Persons Conditions

## 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-4.2.

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

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

AU-3.1.4 In assessing the conditions prescribed in Rule 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 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.



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

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

#### 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.

#### 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: Authorisation</b>
<b>CHAPTER</b>	<b>AU-3: 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.]



MODULE	AU: Authorisation
CHAPTER	AU-4: Information Requirements and Processes

## AU-4.1 Licensing

### *Application Form and Documents*

**AU-4.1.1** Applicants for a license must submit a duly completed Form 1 (Application for a License), under cover of a letter signed by an authorised signatory of the applicant marked for the attention of the Director, Licensing Directorate. The application must be accompanied by the documents listed in Rule AU-4.1.4, unless otherwise directed by the CBB.

AU-4.1.2 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 time-lines.

AU-4.1.3 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-4.1.4** 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 proposed to undertake controlled functions (as defined in Rule AU-1.2.2 ) in the proposed licensee;
- (c) A comprehensive business plan for the application, addressing the matters described in AU-4.1.6;
- (d) Where the applicant is an existing Bahraini company, a copy of the applicant's commercial registration certificate;



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## AU-4.1 Licensing (continued)

### AU-4.1.4

- (e) A certified copy of a Board resolution of the applicant, confirming its decision to seek a CBB administration license;
- (f) 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 lead 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 requirements;
- (g) 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;
- (h) In the case of applicants not falling under either (i) above, copies of the audited financial statements of the applicant's major shareholder (where they are a legal person), for the three years immediately prior to the date of application; and
- (i) A copy of the applicant's memorandum and articles of association (in draft form for applicants creating a new company) addressing the matters described in AU-5.1.8.

### AU-4.1.5

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 in control of the licensee.

### AU-4.1.6

The business plan submitted in support of an application must include:

- (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 independent 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; 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 requirements.



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## AU-4.1 Licensing (continued)

### AU-4.1.7

The applicant's memorandum and articles of association must explicitly provide for it to undertake the activities proposed in the license application.

### AU-4.1.8

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-4.1.9

Before the final approval is granted to a licensee, confirmation from a retail bank addressed to the CBB that the licensee's capital (injected funds) – as specified in the business plan submitted under Rule AU-4.1.4 – has been paid in, must be provided to the CBB.

### AU-4.1.10

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-4.1.11

Failure to inform the CBB of the changes specified in Rule AU-4.1.10 is likely to be viewed as a failure to provide full and open disclosure of information, and thus a failure to meet licensing condition Rule AU-2.8.2.



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## AU-4.1 Licensing (continued)

### *Licensing Process and Timelines*

- AU-4.1.12 By law, the 60 day time limit referred to in Paragraph AU-4.1.2 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-4.1.4 have to be provided, before the CBB may issue a license.
- AU-4.1.13 The CBB recognises, however, that applicants may find it difficult to secure suitable senior management (refer AU-4.1.4(b) above) in the absence of preliminary assurances regarding the likelihood of obtaining a license.
- AU-4.1.14 Therefore, applicants may first submit an unsigned Form 1 in draft, together with as many as possible of the items specified in Rule AU-4.1.4. This draft application should contain at least items AU-4.1.4(a); AU-4.1.4(b), with respect to proposed Directors (but not necessarily senior management); AU-4.1.4(c); AU-4.1.4(d); and AU-4.1.4(g) to AU-4.1.4(i) inclusive.
- AU-4.1.15 On the basis of the information specified in Paragraph AU-4.1.14, 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-4.1.16 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-4.1.1 and, once assessed as complete by the CBB, a signed and dated final version of Form 1. However, a Bahraini company proposing to undertake financial services activities would not be eligible to obtain a Commercial Registration from the Ministry of Industry and Commerce unless it receives the final approval from the CBB.
- AU-4.1.17 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).



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## AU-4.1 Licensing (continued)

AU-4.1.18 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 CBB 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-4.1.19** 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-4.1.20 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-4.1.20** 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.

**AU-4.1.21** 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-4.1.22** Where the CBB proposes to refuse an application for a license, it must give the applicant 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 comply with the provisions contained in Article 46 of the CBB Law.



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## AU-4.1 Licensing (continued)

### *Starting Operations*

#### AU-4.1.23

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 the applicant's notarized memorandum and articles of association, addressing the matters described in Paragraph AU-4.1.7;
- (h) A copy of the Ministry of Industry and Commerce commercial registration certificate in Arabic and in English; and
- (i) An updated organisation chart showing the reporting lines, committees (if any) and including the names of the persons undertaking the controlled functions;
- (j) 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 administrator is licensed by the CBB; and
- (k) Any other information as may be specified by the CBB.

#### AU-4.1.24

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-4.1.25 The procedures for cancelling licenses are contained in Section AU-4.3.



MODULE	AU: Authorisation
CHAPTER	AU-4: Information Requirements and Processes

## AU-4.2 Approved Persons

### *Prior Approval Requirements and Process*

#### AU-4.2.1

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 the Form 3, including previous experience, is accurate. Form 3 is available under Volume 5 Part B Authorisation Forms of the CBB Rulebook.

#### AU-4.2.2

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 licensee, the Form 3, except if dealing with a MLRO, must be marked for the attention of the Director, Financial Institutions Supervision Directorate. In the case of the MLRO, Form 3 should be marked for the attention of the Director, Compliance Directorate.

#### AU-4.2.3

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

- (a) Submitted to the CBB with a covering letter signed by an authorised representative of the administrator 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-4.2.3A

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.

#### AU-4.2.4

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.





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## AU-4.2 Approved Persons (continued)

AU-4.2.5 [This Paragraph was deleted in July 2015.]

AU-4.2.6 [This Paragraph was moved to Paragraph AU-4.2.3A in July 2015.]

### *Assessment of Application*

AU-4.2.6A 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-4.2.6B For purposes of Paragraph AU-4.2.6A, 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-4.2.6C 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 the criteria outlined in Paragraph AU-3.1.5. A notice of such refusal is issued by registered mail to the licensee concerned, setting out the basis for the decision.

AU-4.2.7 [This Paragraph was deleted in January 2016.]

### *Appeal Process*

AU-4.2.7A 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 licensee of its decision within 30 calendar days from submitting the appeal.

AU-4.2.7B 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, 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 licensee of its decision within 30 calendar days from the date of submitting the appeal.



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## AU-4.2 Approved Persons (continued)

### *Notification Requirements and Process*

**AU-4.2.8** 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-4.3.5). In such cases, their approved person status is automatically withdrawn by the CBB.

**AU-4.2.9** 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-4.2.10** 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.

### *Change in Controlled Function*

**AU-4.2.11** Licensees must seek prior CBB approval before an approved person may move from one controlled function to another within the same licensee.

AU-4.2.12 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-4.3.5), and the new licensee should submit a request for approval under Rule AU-1.2.1.



MODULE	AU: Authorisation
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### AU-4.3 Cancellation of Authorisation

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

##### AU-4.3.1

In accordance with Article 50 of the CBB Law, 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, Financial Institutions Supervision, setting out in full the reasons for the request and how the business is to be wound up.

##### AU-4.3.2

Licensees must satisfy the CBB that their customers' interests are to be safeguarded during and after the proposed cancellation. The requirements contained in Chapter GR-7 regarding cessation of business must be satisfied.

##### AU-4.3.3

Failure to comply with Rule AU-4.3.1 constitutes a breach of Article 50(a) of the CBB Law. The CBB will only approve such a request where it has no outstanding regulatory concerns and any relevant customer interests would not be prejudiced. A voluntary surrender of a license will not be accepted where it is aimed at pre-empting supervisory actions by the CBB. A voluntary surrender will only be allowed to 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-4.3.4

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-4.3.4A

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-4.3.4B

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 administration services may be undertaken whilst the licensee discharges its obligations to its clients.



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### AU-4.3 Cancellation of Authorisation (continued)

#### *Cancellation of Approved Person Status*

##### AU-4.3.5

In accordance with Paragraph AU-4.2.8, 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 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 licensee must make immediate interim arrangements to ensure continuity of the duties and responsibilities of the controlled function affected, provided that such arrangements do not pose a conflict of duties. These interim arrangements must be approved by the CBB.

AU-4.3.6 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-4.3.7 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.



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#### **AU-4.4 Publication of the Decision to Grant, Cancel or Amend a License**

**AU-4.4.1** In accordance with Articles 47 and 49 of the CBB Law, the CBB must 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-4.4.2** For the purposes of Paragraph AU-4.4.1, the cost of publication must be borne by the Licensee.

**AU-4.4.3** The CBB may also publish its decision on such cancellation or amendment using any other means it considers appropriate, including electronic means.



MODULE	AU: Authorisation
CHAPTER	AU-5: License Fees

## AU-5.1 License Application Fees

**AU-5.1.1** Applicants seeking an administrator license from the CBB must pay a non-refundable license application fee of BD 100 at the time of submitting their formal application to the CBB.

AU-5.1.2 There are no application fees for those seeking approved person status.



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<b>CHAPTER</b>	<b>AU-5:</b>	<b>License Fees</b>

## AU-5.2 Annual License Fees

**AU-5.2.1** Licensees must pay a flat annual license fee of BD500 to the CBB, on 1<sup>st</sup> December of the preceding year for which the fee is due.

**AU-5.2.2** For new licensees, their first annual license fee is payable when their license is issued by the CBB. The amount payable is the flat amount specified for their type of license.

AU-5.2.3 Where a license 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.

**AU-5.2.4** [This Paragraph was deleted in July 2013].

**AU-5.2.5** All licensees are subject to direct debit for the payment of the annual fee and must complete and submit to the CBB a Direct Debit Authorisation Form by 15<sup>th</sup> September available under Part B of Volume 5 (Specialised Licensees) CBB Rulebook on the CBB Website.

AU-5.2.6 Licensees failing to comply with this Section may be subject to financial penalties for date sensitive requirements as outlined in Section EN-5.3A or may have their licenses withdrawn by the CBB.