



# **ADMINISTRATORS CBB REPORTING MODULE**



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<b>MODULE</b>	<b>BR:</b>	<b>CBB Reporting</b>
<b>CHAPTER</b>	<b>BR-A:</b>	<b>Introduction</b>

## BR-A.1 Purpose

### *Executive Summary*

BR-A.1.1 This Module sets out requirements applicable to administrators licensees regarding reporting to the Central Bank of Bahrain (“CBB”). These include the provision of financial information to the CBB, as well as notification to the CBB of certain specified events, some of which require prior CBB approval. This Module also outlines the methods used by the CBB in gathering information required in the supervision of administrators licensees.

### *Legal Basis*

#### BR-A.1.2

This Module contains the Central Bank of Bahrain (“CBB”) Directive (as amended from time to time) regarding CBB Reporting requirements applicable to administrators licensees, and is issued under the powers available to the CBB under Article 38 of the Central Bank of Bahrain and Financial Institutions Law 2006 (“CBB Law”).

BR-A.1.3 For an explanation of the CBB’s rule-making powers and different regulatory instruments, see section UG-1.1.



<b>MODULE</b>	<b>BR: CBB Reporting</b>
<b>CHAPTER</b>	<b>BR-A: Introduction</b>

## **BR-A.2 Module History**

### *Evolution of Module*

BR-A.2.1 This Module was first issued in May 2011. All subsequent changes to this Module are annotated with the end-calendar quarter date in which the change was made: UG-3 provides further details on Rulebook maintenance and version control.

BR-A.2.2 A list of recent changes made to this Module is provided below:

<b>Module Ref.</b>	<b>Change Date</b>	<b>Description of Changes</b>
BR-3.1.1A and BR-3.1.1B	04/2012	Added Paragraphs to clarify Rules on power to request information.
BR-3.3.1 and BR-3.4	04/2012	Minor corrections.
BR-3.5	04/2012	New Section added to include material transferred from common Chapters EN-2 and AA-5
BR-1.1.9 and BR-2.2.18	10/2012	Updated reference to CBB Rulebook Volume 7 (CIU).
BR-1.1.13	01/2013	Clarified deadline to update IIS.
BR-1.1.15 and BR-1.1.16	04/2013	Added new Paragraphs to include reporting requirements on controllers and close links as per Rules contained under Module GR.
<b>BR-3.5.14</b>	<b>07/2013</b>	<b>Amended numbering of referred appendix.</b>



MODULE	BR:	CBB Reporting
CHAPTER	BR-B:	Scope of Application

## BR-B.1 Scope of Application

### BR-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.



MODULE	BR:	CBB Reporting
CHAPTER	BR-1:	Reporting Requirements

## BR-1.1 General Requirements

### *Audited Financial Statements*

**BR-1.1.1** As specified in Article 62 of the CBB Law, a licensee must submit to the CBB its final audited financial statements within 3 months of the licensee's financial year-end

### *Suspicious Transaction Reports (STR)*

**BR-1.1.2** As per Rule FC-5.2.4, licensees must report all suspicious transactions or attempted transactions to the Financial Intelligence Unit at the Ministry of Interior and to the Compliance Directorate at the CBB.

**BR-1.1.3** As per Rule FC-1.8.2 licensees must make a suspicious transaction report to the Compliance Directorate at the CBB and the Financial Intelligence Unit at the Ministry of Interior, if they are approached by a shell bank or an institution they suspect of being a shell bank.

**BR-1.1.4** As per Rule FC-5.2.3, if licensees suspect that a person has been engaged in money laundering or terrorism financing, or the activity concerned is regarded as suspicious, the licensee must report the fact promptly to the Financial Intelligence Unit at the Ministry of Interior and copy the Compliance Directorate at the CBB. The reports must be made using the STR Form and related instructions, included in Part B of Volume 5.

**BR-1.1.5** As per Section FC-8.1, when dealing with entities or persons domiciled in countries or territories which are identified by the FATF as being non-cooperative or notified to licensees from time to time by the CBB, whenever the licensee has suspicions about the transaction, these must be reported to the Financial Intelligence Unit at the Ministry of Interior and the Compliance Directorate at the CBB.

**BR-1.1.6** As per Rule FC-8.3.3, licensees must report to the Financial Intelligence Unit at the Ministry of Interior and the Compliance Directorate at the CBB, using the procedures contained in Section FC-5.2, details of any accounts or other dealings with persons and entities designated by the CBB as potentially linked to terrorist activity.



MODULE	BR:	CBB Reporting
CHAPTER	BR-1:	Reporting Requirements

## BR-1.1 General Requirements (continued)

### *Reports Prepared by the MLRO*

BR-1.1.7

As per Rule FC-4.3.1(a) and (b), licensees must arrange for their MLRO to produce a report containing the number of internal reports made in accordance with Section FC-5.1, a breakdown of all the results of those internal reports and their outcomes for each segment of the licensee's business, and an analysis of whether controls or training need to be enhanced and a report, indicating the number of external reports made in accordance with Section FC-5.2 and, where a licensee has made an internal report but not made an external report, noting why no external report was made. These reports are to be submitted to the CBB by the 30th of April of the following year.

### *Report of Fraud or Attempted Fraud*

BR-1.1.8

Licensees must report any actual or attempted fraud incident (however small) to the appropriate authorities (including the CBB) (ref. FC-11.1).

### *Reports Required as per Volume 7 (CIU)*

BR-1.1.9

Licensees must comply with any reporting requirements applicable to them as stipulated in CBB Rulebook Volume 7 (CIU).

### *Reports Prepared by the External Auditor*

BR-1.1.10

As per Rule FC-4.3.1(d), licensees must arrange for their external auditor to produce a report as to the quality of the licensee's anti-money laundering procedures, systems and controls, and compliance with the AML Law and Module FC (Financial Crime) to be submitted to the CBB by the 30th of April of the following year.

### *Terrorist Financing*

BR-1.1.11

As per Rule FC-8.2.4, licensees must report to the Compliance Directorate at the CBB, details of:

- (a) Funds or other financial assets or economic resources they have with them which may be the subject of Article 1, paragraphs (c) and (d) of UNSCR 1373; and
- (b) All claims, whether actual or contingent, which the licensee has on persons and entities which may be the subject of Article 1, paragraphs (c) and (d) of UNSCR 1373.



MODULE	BR:	CBB Reporting
CHAPTER	BR-1:	Reporting Requirements

## BR-1.1 General Requirements (continued)

### *Annual License Fee*

BR-1.1.12

Licensees must complete and submit Form ALF (Annual License Fee) to the CBB, no later than 30 April each year, together with the payment due under Rule AU-5.2.1.

### *Institutional Information System (IIS)*

BR-1.1.13

Licensees are required to complete online non-financial information related to their institution by accessing the CBB's institutional information system (IIS). Licensees must update the required information at least on a quarterly basis or when a significant change occurs in the non-financial information included in the IIS. If no information has changed during the quarter, the licensee must still access the IIS quarterly and confirm the information contained in the IIS. Licensees must ensure that they access the IIS within 20 calendar days from the end of the related quarter and either confirm or update the information contained in the IIS.

BR-1.1.14

Licensees failing to comply with the requirements of Paragraph BR-1.1.13 or reporting inaccurate information are subject to financial penalties or other enforcement actions as outlined in Module (EN) Enforcement

### *Report on Controllers*

BR-1.1.15

In accordance with Paragraph GR-5.1.8, licensees must submit, within 3 months of their financial year-end, a report on their controllers which must identify all controllers of the licensee, as defined under Section GR-5.2.

### *Report on Close Links*

BR-1.1.16

In accordance with Paragraph GR-6.1.3, licensees must submit within 3 months of their financial year-end, a report on their close links which must identify all undertakings closely linked to the licensee, as defined under Section GR-6.2.





MODULE	BR:	CBB Reporting
CHAPTER	BR-2:	Notifications and Approvals

## BR-2.1 Introduction

**BR-2.1.1** All notifications and approvals required in this Chapter are to be submitted by licensees in writing.

BR-2.1.2 In this Module, the term ‘in writing’ includes electronic communication capable of being reproduced in paper form.

**BR-2.1.3** A licensee must make the notifications and approvals required in Chapter BR-2 immediately it becomes aware, or has information which reasonably suggests, that any of the matters in Chapter BR-2 have occurred, may have occurred or may occur in the near future.

BR-2.1.4 Licensees are required to provide the CBB with a range of information to enable it to monitor the licensee’s compliance with Volume 5 of the CBB Rulebook. Some of this information is provided through regular reports, whereas others are in response to the occurrence of a particular event (such as a change in name or address). The following sections list the commonly occurring reports for which a licensee will be required to notify the CBB or seek its approval.



MODULE	BR:	CBB Reporting
CHAPTER	BR-2:	Notifications and Approvals

## BR-2.2 Notification Requirements

### *Matters Having a Serious Supervisory Impact*

#### BR-2.2.1

A licensee must notify the CBB if any of the following has occurred, may have occurred or may occur in the near future:

- (a) The licensee failing to satisfy one or more of the Principles of Business referred to in Module PB;
- (b) Any matter which could have a significant adverse impact on the licensee's reputation;
- (c) Any matter which could affect the licensee's ability to continue to provide adequate services to its customers and which could result in serious detriment to a customer of the licensee;
- (d) Any matter in respect of the licensee that could result in material financial consequences to the financial system or to other licensees;
- (e) Any breach of any provision of the Rulebook (including a Principle);
- (f) A breach of any requirement imposed by the relevant law or by regulations or an order made under any relevant law by the CBB; or
- (g) If a licensee becomes aware, or has information that reasonably suggests that it has or may have provided the CBB with information that was or may have been false, misleading, incomplete or inaccurate, or has or may have changed in a material way, it must notify the CBB immediately (ref. BR-3.3.2).

#### BR-2.2.2

The circumstances that may give rise to any of the events in Paragraph BR-2.2.1 are wide-ranging and the probability of any matter resulting in such an outcome, and the severity of the outcome, may be difficult to determine. However, the CBB expects licensees to consider properly all potential consequences of events.

#### BR-2.2.3

In determining whether an event that may occur in the near future should be notified to the CBB, a licensee should consider both the probability of the event happening and the severity of the outcome should it happen. Matters having a supervisory impact could also include matters relating to a parent undertaking or controller that may indirectly have an effect on the licensee.

### *Legal, Professional, Administrative or other Proceedings Against a Fund Administration Licensee*

#### BR-2.2.4

A licensee must notify the CBB immediately of any legal, professional or administrative or other proceedings instituted against the licensee, controller or a close link including a parent undertaking of the licensee that is known to the licensee and is significant in relation to the licensee's financial resources or its reputation.



MODULE	BR:	CBB Reporting
CHAPTER	BR-2:	Notifications and Approvals

## BR-2.2 Notification Requirements (continued)

### BR-2.2.5

A licensee must notify the CBB of the bringing of a prosecution for, or conviction of, any offence under any relevant law against the licensee that would prevent the licensee from meeting the Principles of Business (Module PB) or any of its Directors, officers or approved persons from meeting the fit and proper requirements of Module AU.

#### *Fraud, Errors and other Irregularities*

### BR-2.2.6

A licensee must notify the CBB immediately if one of the following events arises and the event is significant:

- (a) It becomes aware that an employee may have committed a fraud against one of its customers;
- (b) It becomes aware that a person, whether or not employed by it, is acting with intent to commit fraud against it;
- (c) It identifies irregularities in its accounting or other records, whether or not there is evidence of fraud;
- (d) It suspects that one of its employees may be guilty of serious misconduct concerning his honesty or integrity and which is connected with the licensee's regulated or ancillary activities; or
- (e) Any conflicts of interest.



MODULE	BR: CBB Reporting
CHAPTER	BR-2: Notifications and Approvals

## BR-2.2 Notification Requirements (continued)

### *Insolvency, Bankruptcy and Winding Up*

#### BR-2.2.7

Except in instances where the CBB has initiated the following actions, a licensee must notify the CBB immediately of any of the following events:

- (a) The calling of a meeting to consider a resolution for winding up the licensee, a controller or close link, including a parent undertaking of the licensee;
- (b) An application to dissolve a controller or close link, including a parent undertaking of the licensee or to strike the licensee off the Register of Fund Administrators;
- (c) The presentation of a petition for the winding up of a controller or close link, including a parent undertaking of the licensee;
- (d) The making of any proposals, or the making of, a composition or arrangement with any one or more of the licensee's creditors, for material amounts of debt;
- (e) An application for the appointment of an administrator or trustee in bankruptcy to a controller or close link, including a parent undertaking of the licensee;
- (f) The appointment of a receiver to a controller or close link, including a parent undertaking of the licensee (whether an administrative receiver or a receiver appointed over particular property); or
- (g) An application for an interim order against the licensee, a controller or close link, including a parent undertaking of the licensee under the Bankruptcy and Composition Law of 1987 or similar legislation in another jurisdiction.

### *Other Supervisors*

#### BR-2.2.8

A licensee must notify the CBB immediately if it becomes subject to or ceases to be subject to the supervision of any overseas supervisor (including a home supervisor).

#### BR-2.2.9

The supervisory regime and any legislative or foreign provisions to which that licensee, is subject, influence the CBB's approach to the supervision of the licensee.



MODULE	BR:	CBB Reporting
CHAPTER	BR-2:	Notifications and Approvals

## BR-2.2 Notification Requirements (continued)

### *External Auditor*

BR-2.2.10

A licensee must notify the CBB of the following:

- (a) Removal or resignation of auditor (ref. AA-1.2.1); or
- (b) Change in audit partner (ref. AA-1.3.3).

### *Approved Persons*

BR-2.2.11

A licensee must notify the CBB of the termination of employment of approved persons, including particulars of reasons for the termination and arrangements with regard to replacement (ref. AU-4.3.5).

BR-2.2.12

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.

### *Capital Adequacy*

BR-2.2.13

In the event that a licensee fails to meet any of the requirements specified in Module CA (Capital Adequacy), it must, on becoming aware that it has breached the requirements, immediately notify the CBB in writing (ref. CA-1.1.5).

BR-2.2.14

As specified in Article 58 of the CBB Law, a licensee must notify the CBB immediately of any matter that may affect its financial position, currently or in the future, or limit its ability to meet its obligations.



MODULE	BR:	CBB Reporting
CHAPTER	BR-2:	Notifications and Approvals

## BR-2.2 Notification Requirements (continued)

### *Outsourcing Arrangements*

BR-2.2.15

Licensees must immediately inform their direct supervisory contact at the CBB of any material problems encountered with an outsourcing provider.

### *Controllers*

BR-2.2.16

If, as a result of circumstances outside the licensee's knowledge and/or control, one of the changes to their controllers specified in Paragraph GR-5.1.1 is triggered prior to CBB approval being sought or obtained, the licensee must notify the CBB as soon as it becomes aware of the fact and no later than 15 calendar days after the change occurs (ref. GR-5.1.4).

BR-2.2.17

As specified in Article 52 of the CBB Law, a licensee must notify the CBB of the following events:

- (a) If effective control over a licensee takes place indirectly whether by way of inheritance or otherwise.
- (b) Gaining control directly as a result of any action leading to it; or
- (c) The intention to take any of the actions that would lead to control.

### *Other Notification Requirements*

BR-2.2.18

Licensees must comply with any notification requirements applicable to them as stipulated in CBB Rulebook Volume 7 (CIU).



MODULE	BR:	CBB Reporting
CHAPTER	BR-2:	Notifications and Approvals

## BR-2.3 Approval Requirements

### *Change in Name*

BR-2.3.1

In accordance with Paragraph GR-2.1.1, a licensee must seek prior written approval from the CBB and give reasonable advance notice of a change in:

- (a) The licensee's name (which is the registered name if the licensee is a body corporate); or
- (b) The licensee's trade name.

BR-2.3.2

The request under Paragraph BR-2.3.1 must include the details of the proposed new name and the date on which the licensee intends to implement the change of name.

### *Change of Address*

BR-2.3.3

As specified in Article 51 of the CBB Law, a licensee must seek approval from the CBB and give reasonable advance notice of a change in the address of the licensee's principal place of business in Bahrain.

BR-2.3.4

The request under Paragraph BR-2.3.3 must include the details of the proposed new address and the date on which the licensee intends to implement the change of address.

BR-2.3.5

As specified in Article 51 of the CBB Law, a licensee must seek approval from the CBB for its intention to carry on its business from new premises in Bahrain. This requirement applies whether or not the premises are to be used for the purposes of transacting business with customers, administration of the business or as the head office in Bahrain of the licensee.

### *Change in Legal Status*

BR-2.3.6

A licensee must seek CBB approval and give reasonable advance notice of a change in its legal status that may, in any way, affect its relationship with or limit its liability to its customers.



MODULE	BR:	CBB Reporting
CHAPTER	BR-2:	Notifications and Approvals

## BR-2.3 Approval Requirements (continued)

### *Change in Authorised or Paid-up Capital*

#### BR-2.3.7

As specified in Article 57(3) of the CBB Law, a licensee must seek CBB approval before making any modification to its authorised or paid-up capital. In the case that a licensee has been granted approval to increase its paid-up capital, confirmation from the external auditor stating that the amount has been deposited in the licensee's bank account will subsequently be required.

### *Controllers and Close Links*

#### BR-2.3.8

In accordance with Section GR-5.1, licensees must seek CBB approval and give reasonable advance notice of any of the following events concerning the licensee:

- (a) A person acquiring control or ceasing to have control;
- (b) An existing controller acquiring an additional type of control (such as ownership or significant influence) or ceasing to have a type of control;
- (c) An existing controller increasing the percentage of shares or voting power beyond 10%, 20% or 50%; and
- (d) An existing controller becoming or ceasing to be a parent undertaking.

#### BR-2.3.9

Every licensee authorised in Bahrain is required to submit an annual report on its controllers, as per Paragraph GR-5.1.8, and close links as set out in Paragraph GR-6.1.3.

### *Carrying out Business in Another Jurisdiction*

#### BR-2.3.10

As specified in Article 51 of the CBB Law, a licensee must seek CBB approval and give three months' notice of its intention to undertake fund administration activities in a jurisdiction other than Bahrain, prior to commencing that business and where the effect of commencing that business may have a significant impact on:

- (a) The licensee's business in Bahrain; or
- (b) The capital resources of the licensee.





MODULE	BR:	CBB Reporting
CHAPTER	BR-2:	Notifications and Approvals

### BR-2.3 Approval Requirements (continued)

#### *Mergers, Acquisitions, Disposals and Establishment of New Subsidiaries*

**BR-2.3.11** As specified in Article 57 of the CBB Law, a licensee incorporated in Bahrain must seek CBB approval and give reasonable advance notice of its intention to enter into a:

- (a) Merger with another undertaking; or
- (b) Proposed acquisition, disposal or establishment of a new subsidiary undertaking.

BR-2.3.12 Licensees will also need to consider the implications of a merger, acquisition, disposal or establishment of a new subsidiary undertaking in the context of the controllers and close links rules set out in Module GR.

#### *Share Option Schemes*

**BR-2.3.13** A licensee must seek prior approval from the CBB for any share option schemes it proposes to offer to its employees.

#### *Outsourcing Arrangements*

**BR-2.3.14** A licensee must seek prior approval from the CBB for the following:

- (a) Outsourcing of their internal audit function (ref. GR-9.4);
- (b) Material intra-group outsourcing (ref. GR-9.3); or
- (c) Outsourcing other material functions (GR-9.1).

#### *Matters Having a Serious Supervisory Impact*

**BR-2.3.15** A licensee must seek prior approval from the CBB for any material changes or proposed changes to the information provided to the CBB in support of an authorisation application that occurs after authorisation has been granted.

**BR-2.3.16** Any licensee that wishes, intends or has been requested to do anything that might contravene, in its reasonable opinion, the provisions of UNSCR 1373 (and in particular Article 1, Paragraphs c) and d) of UNSCR 1373) must seek, in writing, the prior written opinion of the CBB on the matter (ref. FC-7.2.2).



MODULE	BR:	CBB Reporting
CHAPTER	BR-2:	Notifications and Approvals

### BR-2.3 Approval Requirements (continued)

**BR-2.3.17** As specified in Article 57 of the CBB Law, a licensee wishing to modify its Memorandum or Articles of Association, must obtain prior written approval from the CBB.

**BR-2.3.18** In accordance with Paragraph GR-4.1.1, a licensee must seek prior written approval from the CBB before transferring any of its business to a third party.

#### *Dividends*

**BR-2.3.19** Licensees, must obtain a letter of no-objection from the CBB to any dividend proposed, before submitting a proposal for a distribution of profits to a shareholder vote (ref. GR-3.1.1).

#### *External Auditor*

**BR-2.3.20** A licensee must seek prior approval from the CBB for the appointment or re-appointment of its external auditor (ref. AU-2.7.1 and AA-1.1.1).

#### *Approved Persons*

**BR-2.3.21** A licensee must seek prior approval from the CBB for the appointment of persons undertaking a controlled function in a licensee (ref. Article 65 of the CBB Law, AU-1.2 and AU-4.2.1).

**BR-2.3.22** Licensees must seek prior CBB approval before an approved person may move from one controlled function to another within the same licensee (ref. AU-4.2.11).

**BR-2.3.23** 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. A licensee making immediate interim arrangements for the controlled function affected, must obtain approval from the CBB for such arrangement (ref. AU-4.3.5).



MODULE	BR:	CBB Reporting
CHAPTER	BR-3:	Information Gathering by the CBB

## BR-3.1 Power to Request Information

### BR-3.1.1

Licensees must provide all information that the CBB may reasonably request in order to discharge its regulatory obligations.

### BR-3.1.1A

Licensees must provide all relevant information and assistance to the CBB inspectors and appointed experts on demand as required by Articles 111 and 114 of the CBB Law. Failure by licensees to cooperate fully with the CBB's inspectors or appointed experts, or to respond to their examination reports within the time limits specified, will be treated as demonstrating a material lack of cooperation with the CBB which will result in other enforcement measures being considered, as described elsewhere in Module EN. This rule is supported by Article 114(a) of the CBB Law.

### BR-3.1.1B

Article 163 of the CBB Law provides for criminal sanctions where false or misleading statements are made to the CBB or any person /appointed expert appointed by the CBB to conduct an inspection or investigation on the business of the licensee or the listed licensee.

### *Information Requested on Behalf of other Supervisors*

### BR-3.1.2

The CBB may ask a licensee to provide it with information at the request of or on behalf of other supervisors to enable them to discharge their functions properly. Those supervisors may include overseas supervisors or government agencies in Bahrain. The CBB may also, without notifying a licensee, pass on to those supervisors or agencies information that it already has in its possession.



MODULE	BR:	CBB Reporting
CHAPTER	BR-3:	Information Gathering by the CBB

## BR-3.2 Access to Premises

### BR-3.2.1

A licensee must permit representatives of the CBB, or persons appointed for the purpose by the CBB to have access, with or without notice, during reasonable business hours to any of its business premises in relation to the discharge of the CBB's functions under the relevant law.

### BR-3.2.2

A licensee must take reasonable steps to ensure that each of its providers under material outsourcing arrangements deals in an open and cooperative way with the CBB in the discharge of its functions in relation to the licensee.

### BR-3.2.3

The cooperation that licensees are expected to procure from such providers is similar to that expected of licensees themselves.



MODULE	BR:	CBB Reporting
CHAPTER	BR-3:	Information Gathering by the CBB

### BR-3.3 Accuracy of Information

#### BR-3.3.1

Licensees must take reasonable steps to ensure that all information they give to the CBB is:

- (a) Factually accurate or, in the case of estimates and judgements, fairly and properly based after appropriate enquiries have been made by the licensee; and
- (b) Complete, in that it should include everything which the CBB would reasonably and ordinarily expect to have.

#### BR-3.3.2

If a licensee becomes aware, or has information that reasonably suggests that it has or may have provided the CBB with information that was or may have been false, misleading, incomplete or inaccurate, or has or may have changed in a material way, it must notify the CBB immediately. The notification must include:

- (a) Details of the information which is or may be false, misleading, incomplete or inaccurate, or has or may have changed;
- (b) An explanation why such information was or may have been provided; and
- (c) The correct information.

#### BR-3.3.3

If the information in Paragraph BR-3.3.2 cannot be submitted with the notification (because it is not immediately available), it must instead be submitted as soon as possible afterwards.



<b>MODULE</b>	<b>BR: CBB Reporting</b>
<b>CHAPTER</b>	<b>BR-3: Information Gathering by the CBB</b>

## BR-3.4 Methods of Information Gathering

BR-3.4.1 The CBB uses various methods of information gathering on its own initiative which require the cooperation of licensees:

- (a) Representatives of the CBB may make onsite visits at the premises of the licensee. These visits may be made on a regular basis, or on a sample basis, for special purposes such as theme visits (looking at a particular issue across a range of licensees), or when the CBB has a particular reason for visiting a licensee;
- (b) Appointees of the CBB may also make onsite visits at the premises of the licensee. Appointees of the CBB may include persons who are not CBB staff, but who have been appointed to undertake particular monitoring activities for the CBB, such as in the case of Appointed Experts (refer to Section BR-3.5).
- (c) The CBB may request the licensee to attend meetings at the CBB's premises or elsewhere;
- (d) The CBB may seek information or request documents by telephone, at meetings or in writing, including electronic communication; and
- (e) The CBB may require licensees to submit various documents or notifications, as per Chapter BR-2, in the ordinary course of their business such as financial reports or on the happening of a particular event in relation to the licensee such as a change in control.

BR-3.4.2 When seeking meetings with a licensee or access to the licensee's premises, the CBB or the CBB appointee needs to have access to a licensee's documents and personnel. Such requests will be made during reasonable business hours and with proper notice. There may be instances where the CBB may seek access to the licensee's premises without prior notice. While such visits are not common, the prospect of unannounced visits is intended to encourage licensees to comply at all times with the requirements and standards imposed by the CBB as per legislation and Volume 4 of the CBB Rulebook.

BR-3.4.3 The CBB considers that a licensee should:

- (a) Make itself readily available for meetings with representatives or appointees of the CBB;
- (b) Give representatives or appointees of the CBB reasonable access to any records, files, tapes or computer systems, which are within the licensee's possession or control, and provide any facilities which the representatives or appointees may reasonably request;
- (c) Produce to representatives or appointees of the CBB specified documents, files, tapes, computer data or other material in the licensee's possession or control as may be reasonably requested;



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#### **BR-3.4 Methods of Information Gathering (continued)**

- (d) Print information in the licensee's possession or control which is held on computer or otherwise convert it into a readily legible document or any other record which the CBB may reasonably request;
- (e) Permit representatives or appointees of the CBB to copy documents of other material on the premises of the licensee at the licensee's expense and to remove copies and hold them elsewhere, or provide any copies, as may be reasonably requested; and
- (f) Answer truthfully, fully and promptly all questions which representatives or appointees of the CBB reasonably put to it.

BR-3.4.4 The CBB considers that a licensee should take reasonable steps to ensure that the following persons act in the manner set out in Paragraph BR-3.4.3:

- (a) Its employees; and
- (b) Any other members of its group and their employees.

BR-3.4.5 In gathering information to fulfill its supervisory duties, the CBB acts in a professional manner and with due regard to maintaining confidential information obtained during the course of its information gathering activities.



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## BR-3.5 The Role of the Appointed Expert

### *Introduction*

**BR-3.5.1** The content of this Chapter is applicable to all licensees and appointed experts.

BR-3.5.2 The purpose of the contents of this Chapter is to set out the roles and responsibilities of appointed experts when appointed pursuant to Article 114 or 121 of the CBB Law (see EN-2.1.1). These Articles empower the CBB to assign some of its officials or others to inspect or conduct investigations of licensees.

BR-3.5.3 The CBB uses its own inspectors to undertake on-site examinations of licensees as an integral part of its regular supervisory efforts. In addition, the CBB may commission reports on matters relating to the business of licensees in order to help it assess their compliance with CBB requirements. Inspections may be carried out either by the CBB's own officials, by duly qualified appointed experts appointed for the purpose by the CBB, or a combination of the two.

BR-3.5.4 The CBB will not, as a matter of general policy, publicise the appointment of an appointed expert, although it reserves the right to do so where this would help achieve its supervisory objectives. Both the appointed expert and the CBB are bound to confidentiality provisions restricting the disclosure of confidential information with regards to any such information obtained in the course of the investigation.

**BR-3.5.5** Unless the CBB otherwise permits, appointed experts should not be the same firm appointed as external auditor of the licensee.

**BR-3.5.6** Appointed experts will be appointed in writing, through an appointment letter, by the CBB. In each case, the CBB will decide on the range, scope and frequency of work to be carried out by appointed experts.

BR-3.5.7 All proposals to appoint appointed experts require approval by an Executive Director or more senior official of the CBB. The appointment will be made in writing, and made directly with the appointed experts concerned. A separate letter is sent to the licensee, notifying them of the appointment. At the CBB's discretion, a trilateral meeting may be held at any point, involving the CBB and representatives of the licensee and the appointed experts, to discuss any aspect of the investigation.

BR-3.5.8 Following the completion of the investigation, the CBB will normally provide feedback on the findings of the investigation to the licensee.





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### BR-3.5 The Role of the Appointed Expert (continued)

**BR-3.5.9** Appointed experts will report directly to and be responsible to the CBB in this context and will specify in their report any limitations placed on them in completing their work (for example due to the licensee's group structure). The report produced by the appointed experts is the property of the CBB (but is usually shared by the CBB with the firm concerned).

**BR-3.5.10** Compliance by appointed experts with the contents of this Chapter will not, of itself, constitute a breach of any other duty owed by them to a particular licensee (i.e. create a conflict of interest).

BR-3.5.11 The CBB may appoint one or more of its officials to work on the appointed experts' team for a particular licensee.

#### *The Required Report*

**BR-3.5.12** The scope of the required report will be determined and detailed by the CBB in the appointment letter. Commissioned appointed experts would normally be required to report on one or more of the following aspects of a licensee's business:

- (a) Accounting and other records;
- (b) Internal control systems;
- (c) Returns of information provided to the CBB;
- (d) Operations of certain departments; and/or
- (e) Other matters specified by the CBB.

**BR-3.5.13** Appointed experts will be required to form an opinion on whether, during the period examined, the licensee is in compliance with the relevant provisions of the CBB Law and the CBB's relevant requirements, as well as other requirements of Bahrain Law and, where relevant, industry best practice locally and/or internationally.

BR-3.5.14 The appointed experts' report should follow the format set out in Appendix BR-10, in part B of the CBB Rulebook.

**BR-3.5.15** Unless otherwise directed by the CBB or unless the circumstances described in Section BR-3.5.19 apply, the report must be discussed with the Board of directors and/or senior management in advance of it being sent to the CBB.



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### BR-3.5 The Role of the Appointed Expert (continued)

**BR-3.5.16** Where the report is qualified by exception, the report must clearly set out the risks which the licensee runs by not correcting the weakness, with an indication of the severity of the weakness should it not be corrected. Appointed experts will be expected to report on the type, nature and extent of any weaknesses found during their work, as well as the implications of a failure to address and resolve such weaknesses.

**BR-3.5.17** If the appointed experts conclude, after discussing the matter with the licensee, that they will give a negative opinion (as opposed to one qualified by exception) or that the issue of the report will be delayed, they must immediately inform the CBB in writing giving an explanation in this regard.

**BR-3.5.18** The report must be completed, dated and submitted, together with any comments by directors or management (including any proposed timeframe within which the licensee has committed to resolving any issues highlighted by the report), to the CBB within the timeframe applicable.

#### *Other Notifications to the CBB*

**BR-3.5.19** Appointed experts must communicate to the CBB, during the conduct of their duties, any reasonable belief or concern they may have that any of the requirements of the CBB, including the criteria for licensing a licensee (see Module AU), are not or have not been fulfilled, or that there has been a material loss or there exists a significant risk of material loss in the concerned licensee, or that the interests of customers are at risk because of adverse changes in the financial position or in the management or other resources of a licensee. Notwithstanding the above, it is primarily the licensee's responsibility to report such matters to the CBB.

BR-3.5.20 The CBB recognises that appointed experts cannot be expected to be aware of all circumstances which, had they known of them, would have led them to make a communication to the CBB as outlined above. It is only when appointed experts, in carrying out their duties, become aware of such a circumstance that they should make detailed inquiries with the above specific duty in mind.

BR-3.5.21 If appointed experts decide to communicate directly with the CBB in the circumstances set out in Paragraph BR-3.5.19, they may wish to consider whether the matter should be reported at an appropriate senior level in the licensee at the same time and whether an appropriate senior representative of the licensee should be invited to attend the meeting with the CBB.



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## BR-3.5 The Role of the Appointed Expert (continued)

### *Permitted Disclosure by the CBB*

#### BR-3.5.22

Information which is confidential and has been obtained under, or for the purposes of, this chapter or the CBB Law may only be disclosed by the CBB in the circumstances permitted under the Law. This will allow the CBB to disclose information to appointed experts to fulfil their duties. It should be noted, however, that appointed experts must keep this information confidential and not divulge it to a third party except with the CBB's permission and/or unless required by Bahrain Law.

### *Trilateral Meeting*

#### BR-3.5.23

The CBB may, at its discretion, call for a trilateral meeting(s) to be held between the CBB and representatives of the relevant licensee and the appointed experts. This meeting will provide an opportunity to discuss the appointed experts' examination of, and report on, the licensee.