



**Central Bank of Bahrain
Rulebook**

**Volume 5:
Specialised Licensees
(Ancillary Service Providers)**

ANCILLARY SERVICE PROVIDERS CBB REPORTING REQUIREMENTS MODULE



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MODULE	BR:	CBB Reporting Requirements
CHAPTER	BR-A:	Introduction

BR-A.1 Purpose

Executive Summary

BR-A.1.1 This Module sets out requirements applicable to ancillary service provider licensees regarding reporting to the CBB. These include the provision of financial information to the CBB by way of prudential returns, 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 ancillary service provider licensees.

BR-A.1.2 This Module provides support for certain other parts of the Rulebook, mainly:

- (a) Principles of Business;
- (c) Risk Management (to be issued);
- (d) Financial Crime;
- (e) High-Level Controls (to be issued); and
- (f) Auditors and Accounting Standards.

BR-A.1.3 Unless otherwise stated, all reports referred to in this Module should be addressed to the Director of relevant supervision directorate of the CBB.

Legal Basis

BR-A.1.4 This Module contains the CBB's Directive relating to reporting requirements applicable to ancillary service provider 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 and its amendments ('CBB Law').

BR-A.1.5 For an explanation of the CBB's rule-making powers and different regulatory instruments, see Section UG-1.1.



MODULE	BR: CBB Reporting Requirements
CHAPTER	BR-A: Introduction

BR-A.2 Module History

Evolution of Module

BR-A.2.1 This Module was first issued in April 2016. 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:

Module Ref.	Change Date	Description of Changes
BR-1.4	04/2017	Added a new Section on Onsite Inspection Reporting.
BR-2.2.6	12/2018	Amended sub-paragraphs (a) & (b).
BR-1.1.1A	10/2019	Added a new Paragraph on disclosure of financial penalties.
BR-2.3.6	01/2020	Amended Paragraph.
BR-1.1.6	07/2020	Added a new Paragraph on audited clients money report.
BR-1.1.6	01/2021	Amended Paragraph on audited clients money report.
BR-1.1.7	01/2021	Added a new Paragraph on audited clients money.

Superseded Requirements

BR-A.2.3 This Module supersedes the following provisions contained in circulars or other regulatory instruments:

Circular / other reference	Subject
Standard Conditions and Licensing Criteria for Providers of Ancillary Services to the Financial Sector	Scope of license and licensing conditions.



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 ancillary service provider licensees authorised in the Kingdom (thereafter referred to in this Module as licensees).



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

BR-1.1 Annual Requirements

BR-1.1.1

All licensees are required to submit to the CBB their annual audited financial statements within 3 months of their financial year end.

BR-1.1.1A

In accordance with Paragraphs EN-B.4.5 and EN-5.2.2, licensees must disclose in their annual audited financial statements the amount of any financial penalties paid to the CBB, together with a factual description of the reason(s) given by the CBB for the penalty. Licensees which fail to comply with this requirement will be required to make the disclosure in the annual audited financial statements of the subsequent year and will be subject to an enforcement action for non-disclosure.

TPAs and PSPs

BR-1.1.2

The notes to the financial statements must:

- (a) For TPAs, contain complete names and addresses of all insurance companies or self-funded schemes outside Bahrain with which the TPA had a contract in effect during the preceding calendar year; and
- (b) For PSPs, refer to the breakdown of clients' money and own funds.

BR-1.1.3

In addition to the statements required in Paragraph BR-1.1.1, licensees are required to submit to the CBB the following information within 3 months of their financial year end:

- (a) The external auditor's management letter;
- (b) A report on the licensee's close links as required under Paragraph GR-8.1.3;
- (c) The licensee's group structure and the internal organisation chart;
- (d) The report on controllers as required under Paragraph GR-7.1.10; and
- (e) Any supplementary information as required by the CBB.

BR-1.1.4

TPAs must also submit to the CBB a breakdown of their sources of revenue within 3 months following the year end in accordance with Appendix BR-10, included under Part B Volume 5 of the CBB Rulebook.



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

BR-1.1 Annual Requirements (continued)

BR-1.1.5

In accordance with the provisions of Section AA-4.1, the audited financial statements of the licensees must comply with the International Financial Reporting Standards (IFRS), and where applicable with the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI).

BR-1.1.6

Payment Service Providers must **appoint independent auditors to perform an in-depth audit on clients' money account (i.e. client money received and its usage, accounting records, internal controls etc.) every 6 months and submit the report to the CBB after two months of period end, i.e. 31st August for the June report and end of February for the December report.** The audit must be performed by the licensee's external auditor or an independent third-party audit firm acceptable to the CBB.

BR-1.1.7

The overarching objectives of the audit, required under Paragraph BR-1.1.6, must be:

- (a) Ensuring that client money is properly segregated and not comingled with the licensee's own funds;
- (b) The licensee has established and implemented adequate internal control procedures and systems to ensure client money is always segregated;
- (c) Client money is not used for purposes other than for client transactions as stipulated in the terms of products/services with its customers;
- (d) The balances are maintained with a retail bank licensee in Bahrain and such balances are not subject to any lien or other restrictions; and
- (e) Fraud risks are adequately controlled and mitigated.



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

BR-1.2 Periodical Financial Statements

BR-1.2.1

PSPs are required to submit to the CBB reviewed (unaudited) semi-annual financial statements (in the same format as their annual audited accounts) on a semi-annual basis, within two months of the date of these statements. Such statements must provide the breakdown of clients' money and own funds.



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

BR-1.3 IIS Reporting Requirements

Institutional Information System (IIS)

BR-1.3.1

All 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 that the information contained in the IIS is correct. 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-1.3.2

Licensees failing to comply with the requirements of Paragraph BR-1.3.1 or reporting inaccurate information may be subject to financial penalties or other enforcement action as outlined in Module (EN) Enforcement.



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

BR-1.4 Onsite Inspection Reporting

BR-1.4.1

For the purpose of onsite inspection by the CBB, licensees must submit requested documents and completed questionnaires to the Inspection Directorate at the CBB three working days ahead of inspection team entry date.

BR-1.4.2

Licensees must review the contents of the draft Inspection Report and submit to the Inspection Directorate at the CBB a written assessment of the observations/issues raised within ten working days of receipt of such report. Evidentiary documents supporting management's comments must also be included in the response package.

BR-1.4.3

Licensees' board are required to review the contents of the Inspection Report and submit within one month, of the report issue date, a final response to such report along with an action plan addressing the issues raised within the stipulated timeline.

BR-1.4.4

Licensees failing to comply with the requirements of Paragraphs BR-1.4.1 and BR-1.4.2 are subject to date sensitive requirements and other enforcement actions as outlined in Module (EN) Enforcement.



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

BR-2.1 Introduction

BR-2.1.1 All notifications and requests for approvals required in this Chapter are to be submitted by licensees in writing and signed by an authorised officer in accordance with Paragraph BR-2.2.11.

BR-2.1.2 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 Requirements
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) A breach of any requirement imposed by law, regulation, directive or any other instruction issued by the CBB;
- (f) 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; or
- (g) If the licensee intends to suspend any or all the licensed regulated services or ceases business, setting out how it proposes to do so and, in particular, how it will treat any of its liabilities (ref GR-9.1.2).

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 properly consider all potential events and consequences that may arise from them.

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 controller that may directly or indirectly have an effect on the licensee.



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

BR-2.2 Notification Requirements (continued)

Legal, Professional, Administrative or other Proceedings against a 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 of the licensee that is known to the licensee and is significant in relation to the licensee's financial resources or its reputation.

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 or any of its approved persons.

Fraud, Errors and other Irregularities

BR-2.2.6 A licensee must notify the CBB immediately if one of the following events arises:

- (a) It becomes aware that a person, whether or not employed by it may have committed, or is acting with intent to commit fraud against its customers or itself;
- (b) A major operational or security incident where the incident has or may have a major negative impact on the financial interests of its customers or other licensees, or itself;
- (c) It becomes aware that an employee may have committed a fraud against one of its customers;
- (d) It becomes aware that a person, whether or not employed by it, is acting with intent to commit fraud against it;
- (e) It identifies irregularities in its accounting or other records, whether or not there is evidence of fraud;
- (f) 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 activities; or
- (g) Conflicts of interest that may affect the operation of the licensee.

BR-2.2.7 If the licensee may have suffered material financial losses as a result of the incident, or may suffer reputational loss, the CBB will wish to consider this and whether the incident is indicative of weaknesses in the licensee's internal controls.



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

BR-2.2 Notification Requirements (continued)

Insolvency, Bankruptcy and Winding Up

BR-2.2.8

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 or a controller of the licensee;
- (b) An application to dissolve a controller of the licensee;
- (c) The presentation of a petition for the winding up of a controller 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 of the licensee;
- (f) The appointment of a receiver to the licensee or to a controller of the licensee (whether an administrative receiver or a receiver appointed over particular property); or
- (g) An application against the licensee, a controller of the licensee under Part 10 of the CBB Law or the Bankruptcy and Composition Law of 1987 or similar legislation in another jurisdiction.

External Auditor

BR-2.2.9

A licensee must notify the CBB of the following:

- (a) Removal or resignation of its external auditor (ref. AA-1.2.1); or
- (b) A change in the partner in charge of conducting the external audit. (Ref. AA-1.3.3).

Approved Persons

BR-2.2.10

A licensee must notify the CBB of the termination of employment of any approved persons, including reasons for their termination and arrangements for replacing them (ref. AU-4.4.9).



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

BR-2.2 Notification Requirements (continued)

Authorised Signatories

BR-2.2.11

At the time of authorisation (when the license is granted) or whenever a change occurs, in order to maintain an up-to-date record of authorised signatories of respective ancillary service providers, the CBB requires all licensees to submit to the licensee's CBB supervisory point of contact a list of specimen signatures of the officials authorised to sign on behalf of the concerned licensee, together with, where appropriate, details of what they are authorised to sign for.

Capital Adequacy Requirements

BR-2.2.12

In the event that a licensee fails to meet any of the requirements specified in Section AU-2.5 it must, on becoming aware that it has breached the requirements, immediately notify the CBB in writing.

BR-2.2.13

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.

Outsourcing Arrangements

BR-2.2.14

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

Controllers

BR-2.2.15

If, as a result of circumstances outside the licensee's knowledge and/or control, a change in controllers is triggered prior to CBB approval being sought or obtained, the licensee must notify the CBB on the earlier of:

- (a) The moment the change takes effect; or
- (b) The moment the licensee becomes aware of the proposed change (ref. GR-7.1.6).



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

BR-2.2 Notification Requirements (continued)

BR-2.2.16 A licensee must notify the CBB of any event as specified under Article 52 of the CBB Law.

Introduction of New or Expanded Customer Products and Facilities

BR-2.2.17 All licensees should notify the CBB of information relating to any new or expanded customer products and services.



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

BR-2.3 Approval Requirements

Change of Address

BR-2.3.1

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-2.3.2

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

Change in Legal Status

BR-2.3.3

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.

Change in Paid-up and/or Issued Capital

BR-2.3.4

As specified in Article 57(3) of the CBB Law, a licensee must seek CBB prior approval before making any modification to its issued and/or paid-up capital.

Controllers

BR-2.3.5

In accordance with Section GR-7.1, licensees must seek CBB prior approval and give reasonable advance notice of any of the following events:

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



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

BR-2.3 Approval Requirements (continued)

Mergers, Acquisitions and Disposals of Assets and Liabilities

BR-2.3.6

A licensee incorporated in Bahrain must seek CBB prior approval and give reasonable advance notice of its intention to enter into a:

- (a) Merger with another undertaking;
- (b) Proposed acquisition or disposal of all or a major part of assets and liabilities, inside or outside the Kingdom; or
- (c) Modify its memorandum or articles of association.

Outsourcing Arrangements

BR-2.3.7

A licensee must seek prior approval from the CBB for outsourcing of its internal audit function.

Other Matters Having a Supervisory Impact

BR-2.3.8

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.

External Auditor

BR-2.3.9

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).

Dividend Distribution

BR-2.3.10

Licensees, must obtain the CBB's prior written approval to any dividend proposed to be distributed to the shareholders, in accordance with Chapter GR-6.



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

BR-2.3 Approval Requirements (continued)

Approved Persons

BR-2.3.11 A licensee must seek prior approval from the CBB for the appointment of persons undertaking a controlled function (ref. Article 65 of the CBB Law, AU-1.3 and AU-4.3.1).

BR-2.3.12 Licensees must seek prior CBB approval before an approved person may move from one controlled function to another within the same licensee (ref. AU-4.3.11).

BR-2.3.13 If a controlled function falls vacant, a licensee making immediate interim arrangements for the controlled function affected, must obtain approval from the CBB (ref. AU-4.4.9).

Cessation of Business

BR-2.3.14 In accordance with Paragraph GR-9.1.1 and Article 50 of the CBB Law, licensees must seek the CBB's prior approval should they wish to cease to provide or suspend any or all of the licensed regulated services of their operations and/or liquidate their business.



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

BR-3.1 Power to Request Information

BR-3.1.1 In accordance with Article 111 of the CBB Law, licensees must provide all information that the CBB may reasonably request in order to discharge its regulatory obligations.

BR-3.1.2 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-3.1.3 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-3.1.4 The CBB may ask licensees 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.



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

BR-3.2 Access to Premises

BR-3.2.1

In accordance with Article 114 of the CBB Law, 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 its agents and providers under outsourcing arrangements permit such access to their business premises, to the CBB.

BR-3.2.3

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-3.2.4

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.



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

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 Chapter EN-2);
- (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; or
- (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 5 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;



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

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 its employees act in the manner set out in Paragraph BR-3.4.3.

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.



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

BR-3.5 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.



MODULE	BR: CBB Reporting
CHAPTER	BR-6: Information Gathering by the CBB

BR-3.5 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-1, 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.



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

BR-3.5 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.



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

BR-3.5 Role of the Appointed Expert (continued)

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.

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.